March 2019

Research Institute

Emerging Consumer Survey 2019

Thought leadership from Credit Suisse and the world's foremost experts

Editorial

We are delighted to publish the ninth edition of the Credit Suisse Research Institute's Emerging Consumer Survey, a study that draws on the annual findings of 13,285 detailed face-to-face interviews with consumers across eight emerging economies which reflect USD 10.7 trillion of consumption. These consumers continue to redraw the global consumption map as their incomes rise. China specifically has now become the second-largest final consumer market in the world and also the second-largest pool of wealth. The survey provides a unique resource with which to analyze these developments.

We again analyze the fortunes of consumers across Brazil, China, India, Indonesia, Mexico, Russia and Turkey, and the related growth opportunities, but also add a focus on Thailand for the first time to broaden our analysis of the Asia region. Despite a less-supportive cyclical backdrop in 2018, our survey still reveals healthy confidence among a majority of our respondents looking into 2019.

In recent surveys, the prospects for the Asian consumer have stood out as the brightest, and we again find India topping our sentiment scorecard supported by positive income characteristics. China ranks third, although its standing has slipped a notch, displaying the weakest income expectations we have seen for China. Real wages in China are currently increasing at their slowest pace for seven years.

The most notable and positive regional development this year has been a rapid improvement in consumer sentiment in Latin America. Following a major political upheaval in Brazil and Mexico, we are seeing consumers recording the highest levels of confidence in their personal financial outlook since the start of our survey. Brazil ranks second in our scorecard and, of the two Latin countries our analysts review, has the more secure medium-term outlook in macroeconomic terms in our view.

Alongside the country contrasts, the study again delves into structural and behavioral themes at work. When assessing the growth prospects of consumer end-markets, the role played by the "millennial" consumer is key. The study provides a unique picture of the current priorities and preferences of this important segment across these markets and exposes some myths along the way. Overall, the picture that emerges indicates a greater appetite for spending on health and convenience-related lifestyle products. It is not all about luxury items. Spending on cars and holidays has also weakened in this group of consumers.

The demographic dynamics are crucial of course, and we compare and contrast India and China in this regard and the 2.7 billion consumers they represent. Both markets have benefited from a demographic dividend, but each country is at a different stage – China is now already at a demographically higher stage of development than India. Yet, with its working-age population soon to surpass that of China, India has better long-term demographics for growth.

We hope you enjoy the 2019 edition of our work and wish you an insightful read.

Urs Rohner
Chairman of the Board of Directors
Credit Suisse Group AG

Cover photo: GettyImages, Brochard Alexandre / EyeEm

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Credit Suisse Emerging Consumer Survey 2019

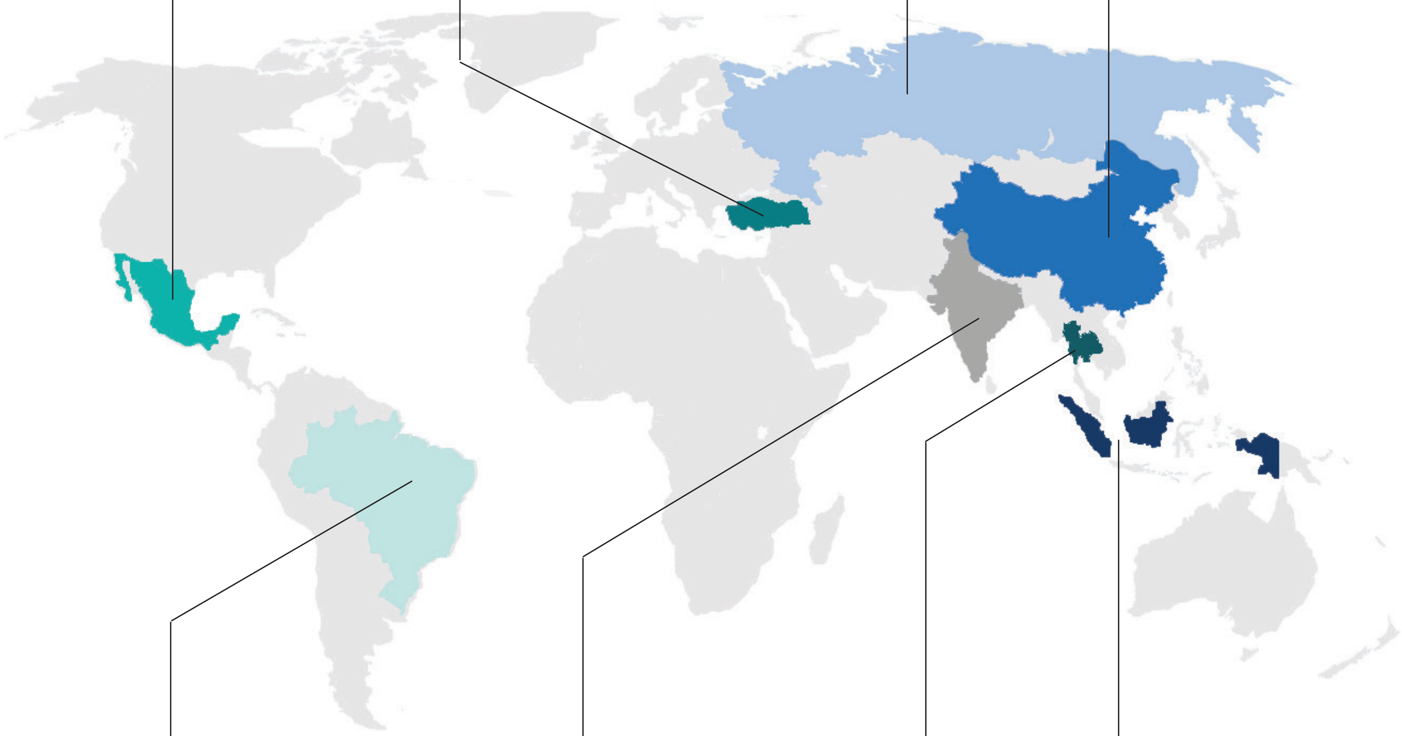
Number of respondents: 13,285 across eight countries. 70% in urban areas; 30% in rural areas.

Mexico (11%*)
No. of respondents: 1,507
Locations: 5
Urban areas: 70%
Rural areas: 30%

Turkey (8%*)
No. of respondents: 1,027
Locations: 14
Urban areas: 70%
Rural areas: 30%

Russia (8%*)
No. of respondents: 1,005
Locations: 8
Urban areas: 67%
Rural areas: 33%

China (19%*)
No. of respondents: 2,565
Locations: 11
Urban areas: 69%
Rural areas: 31%



Brazil (11%*)
No. of respondents: 1,524
Locations: 5
Urban areas: 70%
Rural areas: 30%

India (20%*)
No. of respondents: 2,618
Locations: 10
Urban areas: 70%
Rural areas: 30%

Thailand (12%*)
No. of respondents: 1,538
Locations: 9
Urban areas: 75%
Rural areas: 25%

Indonesia (11%*)
No. of respondents: 1,501
Locations: 10
Urban areas: 66%
Rural areas: 34%

*Note: % of survey sampled from this country

The emerging consumer in 2019

Richard Kersley, Bahar Sezer Longworth

While Asia has been at the heart of the emerging consumer theme, the political rupture in Latin America's largest economies has delivered a new-found optimism among consumers in Brazil and Mexico, and this provides the backdrop to the ninth edition of the Emerging Consumer Survey. India still tops our "scorecard," retaining a bright structural outlook, but global political tensions are arguably weighing on the Chinese consumer. However, the weakest survey readings are to be found in Russia and Turkey, which are suffering the economic fallout from weak currencies and political risks. New to this survey, we analyze the perceptions of the Thai consumer.

A unique perspective on the consumption supertrend

The aim of the Credit Suisse Emerging Consumer Survey is to provide a granular analysis of the profile, mood and behavior of consumers who are becoming the dominant influence on global consumption. China has become the second largest final consumption market in the world. Together with India, it represents almost 15% of global consumption and with ongoing income growth and rapid wealth accumulation in the years ahead, a redrawing of the global consumption map will continue. Despite the growth in consumption, China's consumption share of GDP still remains a low 38%.

The key for an investor is to understand how this supertrend plays out at ground level, which is the guidance our survey provides. It stretches across eight major emerging economies, with an aggregate population approaching four billion, representing total consumption of USD 10.7 trillion. The 13,285 detailed face-to-face interviews conducted on our behalf by leading consumer research firm Nielsen, provide unique bottom-up insights into specific end-markets, products and brand preferences, alongside overall barometers of confidence. As before, the markets included in the 2019 edition include Brazil, China, India, Indonesia, Mexico and Turkey. This year, we have added Thailand as a new market. South Africa is not included on this occasion.

Table 1: Survey sentiment indicators (average readings)

	Personal finances	Inflation expectations	Good time to make a major purchase	Income expectations	Income change in last 12 months
	Net balance better vs. worse	Net balance higher vs. lower	Net balance, excellent time vs. bad time	Net balance increase vs. decrease	Net balance increase vs. decrease
2018	27.4	31.7	–8.7	26.6	0.9
2018 (incl. Thailand)	26.1	35.4	–8.0	27.0	2.1
2017	23.6	38.0	–5.5	25.1	2.8
2016	20.3	35.7	–10.1	17.9	–4.8
2015	16.7	43.7	–12.7	25.7	3.8

*2015-2017 exclude Thailand and South Africa. Source: Credit Suisse Emerging Consumer Survey 2019

Our proprietary database also allows all the questions to be assessed by demographic considerations of age, gender, region and income level (the full questionnaire and additional data not provided in this report are available on request). There is no other survey conducted that benchmarks consumers across emerging economies with such granularity.

The mood of the moment

To summarize the overall mood of consumers, we highlight the survey readings focusing on five key questions that represent the basis of our Emerging Consumer Scorecard:

1. "Is now a good time to make a major purchase?"
2. "Do you think the state of your own personal finances over the next six months will be better, worse, or about the same?"
3. "What do you expect will happen to inflation (the price of goods and services) in the next 12 months?"
4. "In what way do you expect your household income to change over the next 12 months?"
5. "In what way did your household income change over the last 12 months?"

In focusing on these questions, we are seeking to capture the immediate perception of the consumer environment (Question 1); a more medium-term and broader assessment of consumers' financial positions (Question 2); fears of inflation, given its ability to erode income through food prices in particular (Question 3); and income momentum, which is the key to ultimate spending (Questions 4 and 5). In Appendix 3, we show a breakdown of the country scores for Questions 1, 2 and 5 by age, income and region. These results typically show that the readings are positively skewed toward the young and urban consumer.

To allow for comparison of the results across the current and previous studies, we have shown in **Table 1** both aggregate sentiment indicators for these questions excluding Thailand and South Africa, as well as aggregate results for 2019 that include Thailand. We find there is a message of optimism as we look at these aggregate indicators, tempered by some nearer-term caution with respect to the immediate consumer backdrop.

First, optimism is reflected in the net balance of people believing their personal finances will improve, which stands at its highest level since 2015, both excluding and including Thailand at 27.4 and 26.1, respectively. Second, inflation expectations for the countries in this and the last survey have fallen, thus supporting the outlook for real purchasing power. The readings including Thailand are admittedly higher, although the net balance of 35.4 is still the lowest recorded in our survey since 2015. Third, and perhaps under-

Figure 1: Net percentage of respondents replying "Yes" to "Is now a good time to make a major purchase"

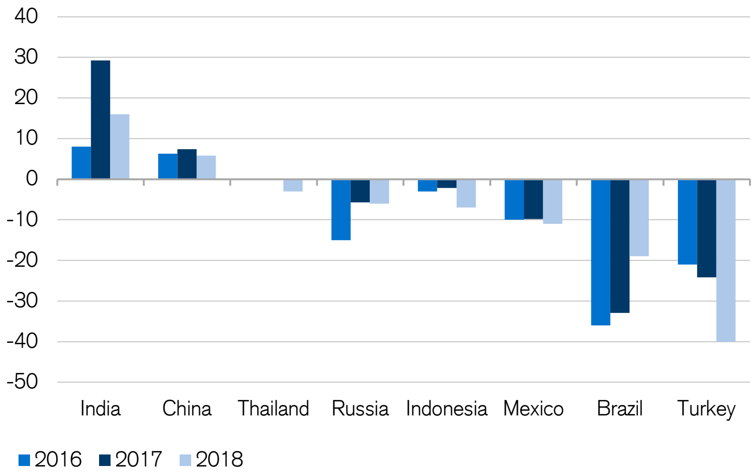


Figure 2: Net percentage of respondents expecting an improvement in their personal finances in the next six months

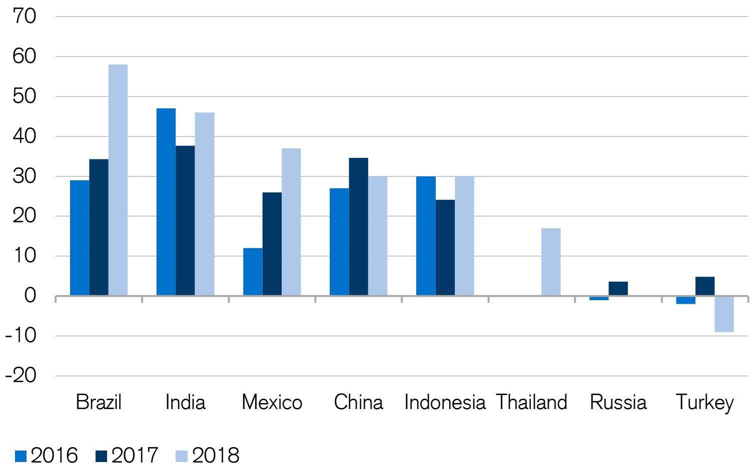
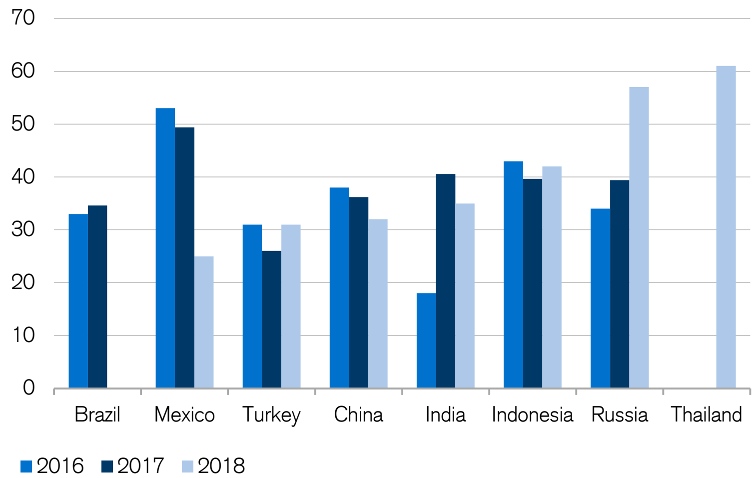


Figure 3: Net percentage of respondents expecting inflation to increase in the next 12 months



Source Figures 1–3: Credit Suisse Emerging Consumer Survey 2019

Figure 4: Net percentage of respondents who expect household income to increase over the next 12 months

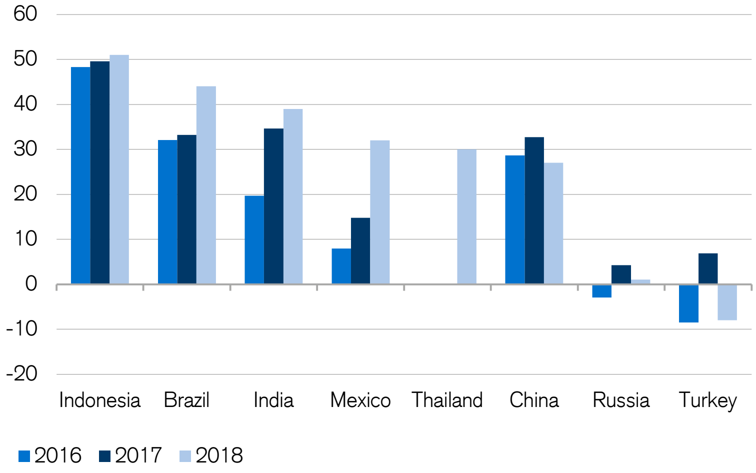


Figure 5: Net percentage of respondents who have seen household income increase over the last 12 months

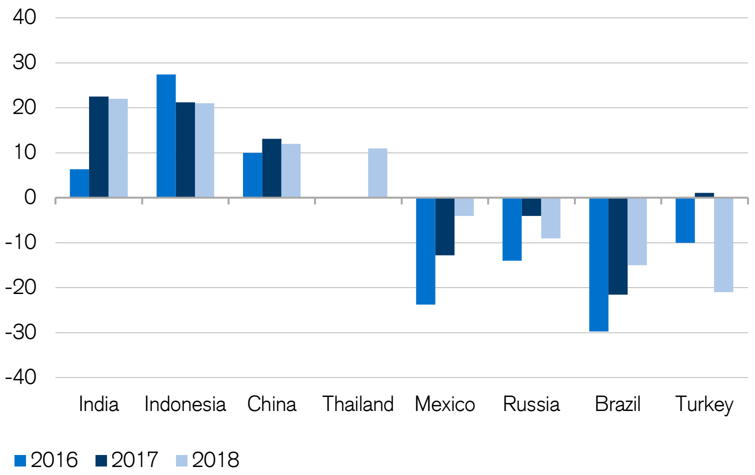
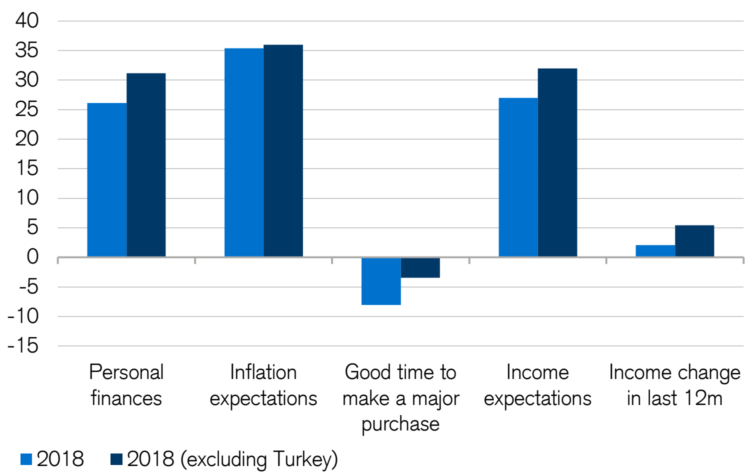


Figure 6: Survey sentiment indicators excluding Turkey



Source Figures 4–6: Credit Suisse Emerging Consumer Survey 2019

pinning the positive theme, we see an increase in the net balance of people recording positive income momentum from 25.1 to 26.6, slightly higher still if including Thailand.

If these are the positive forward-looking measures for 2019, the less-bullish readings are apparent in the lower proportion of people who think “now is a good time to make a major purchase” and, alongside this, a less-buoyant income experience with a net balance of 0.9 versus 2.8 on a like-for-like basis. Regarding the former question, a number of our country teams (e.g. India) have noted a decline in consumer appetite for big-ticket purchases such as cars and luxury items consistent with these weaker readings.

Clearly, the aggregate experience reflected in **Table 1** is not mirrored in each individual country as we outline below, breaking down the survey readings for each question by country. However, one point to flag at the outset is the material impact of Turkey’s exceptionally weak readings on the overall readings as we explain later.

Country contrasts

In **Figures 1 to 5,** we compare the strength of the responses by country, with the strongest on the left of the charts and descending thereafter. What becomes quickly apparent from the mood reflected in prior surveys has been a consistent robustness in confidence among Asian consumers versus the rest of the emerging world, where consumers have struggled amid economic and political negatives. However, there are signs of change in 2019, with recovering Latin American consumers in particular beginning to reshuffle the order.

First, we consider the two specific questions that stand out at the aggregate level, focusing on the improvement in personal finances (**Figure 2**) and improving income momentum (**Figure 4**). India has been consistently top of the rankings on this metric and readings have remained strong. However, it is Brazil and Mexico that have seen the biggest increase in the net balance for personal finances. What is also notable here is that the improvement has come across all income levels rather than skewed to affluent consumers. These sharp increases in confidence in the financial outlook are mirrored in a similar positive, and related, trend in income expectations in Brazil, India and Mexico, although again it is the Latin American countries that stand out, particularly Mexico (**Figure 4**). As our country analysts argue later, consumer confidence indicators have indeed been quite strong recently out of Mexico, but there seem to be reasons to be cautious, as private investment could moderate, and corporates feel less optimistic compared to consumers. Indonesia, however, boasts the strongest income expectations, presumably supported by the approximately 79% average increase in the Conditional Cash Transfer (PKH) program for ten million households. We would note China's slippage here with the lowest income expectations of the Asian countries.

As reflected in the aggregate data in **Table 1**, the backdrop has been more challenging when we look at the income experience over the last 12 months (**Figure 5**) and whether "now is a good time to make a major purchase" (**Figure 1**). The proportion seeing "now as a good time to make a major purchase" faded in most markets, save for an improvement in Brazil, albeit still negative. We also see the contrast between the Asian economies relative to the other markets referred to above, with the Asian countries superior in all but one instance. However, while a marked gap existed in these measures between Asia and Latin America, the gap closed somewhat with notable improvements in the relative income trends in **Figure 5**. The Asian economies all record positive readings, but the income progression has softened from last year's results for both India and China. In contrast, we see an improving trend in both Mexico and Brazil, although the overall survey readings are still negative.

Away from the Asia versus Latin American comparisons, it is hard to ignore the collapse, more or less across the board, in indicators for Turkey. If we were to exclude Turkey from this year's readings, all metrics would actually improve significantly. Russia does not reflect such extremes of pessimism, but has dropped on all metrics and seen a leap in inflation expectations.Thailand is of course new this year and hence lacks comparative data. We would note the following debut readings. First, the Thai respondents have recorded the highest inflation expectations of all the markets. Second, Thailand's highest ranking is in the "good time to make a major purchase" category as shown in **Figure 1**, where it is placed third behind India and China. Finally, Thailand records its highest reading in absolute terms for income expectations, but is nonetheless still ranked below Indonesia, Brazil, India and Mexico. On page 46, we provide a specific "Spotlight on Thailand."

Judging countries by their own history

In **Figures 7 to 13,** we compare the country survey readings (excluding inflation expectations) in terms of their historical highs/lows over the life of our survey and also last year. Changes put into this context can carry significant investment implications when we see local inflexion points. From these charts, we note that Brazil has improved on every metric, with the trend in personal finances close to its survey highs and the reading for whether "now is a good time to make a major purchase" well above average. Mexico has also

Figure 7: Consumer scorecard indicators (%) – Brazil

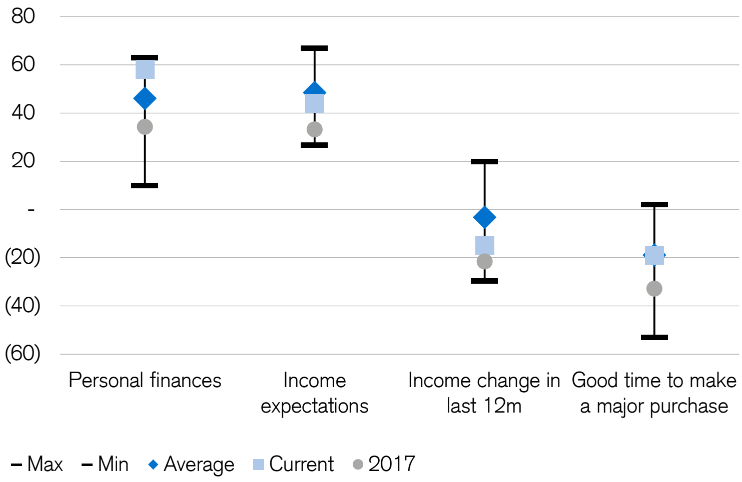


Figure 8: Consumer scorecard indicators (%) – Mexico

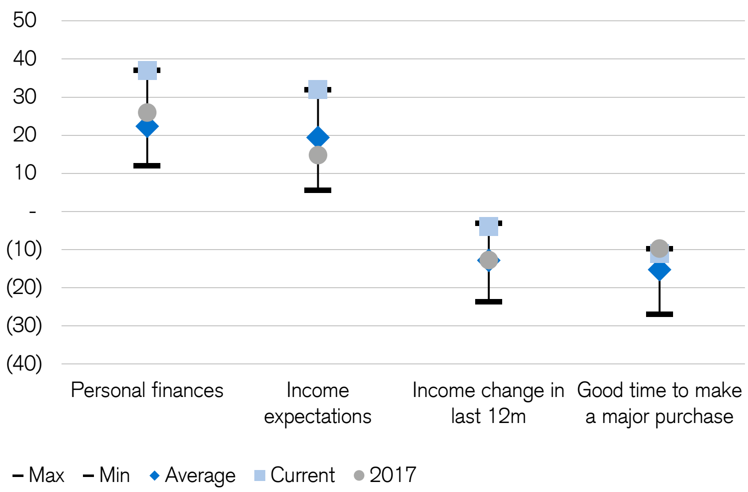
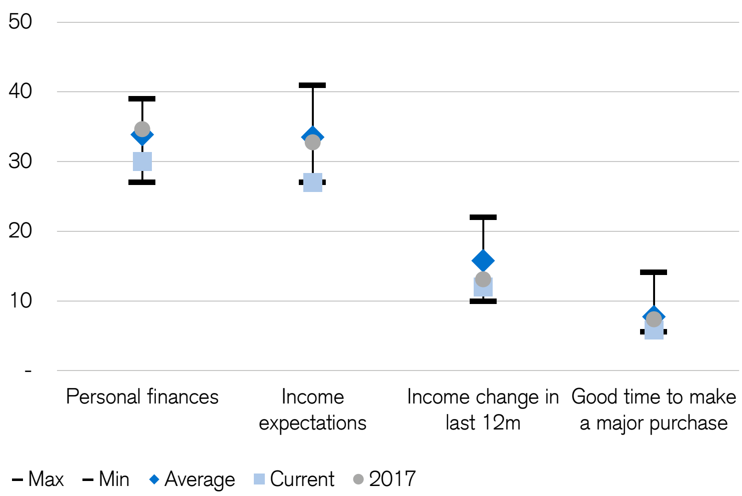


Figure 9: Consumer scorecard indicators (%) – China



Source Figures 7–9: Credit Suisse Emerging Consumer Survey 2019

Figure 10: Consumer scorecard indicators (%) – India

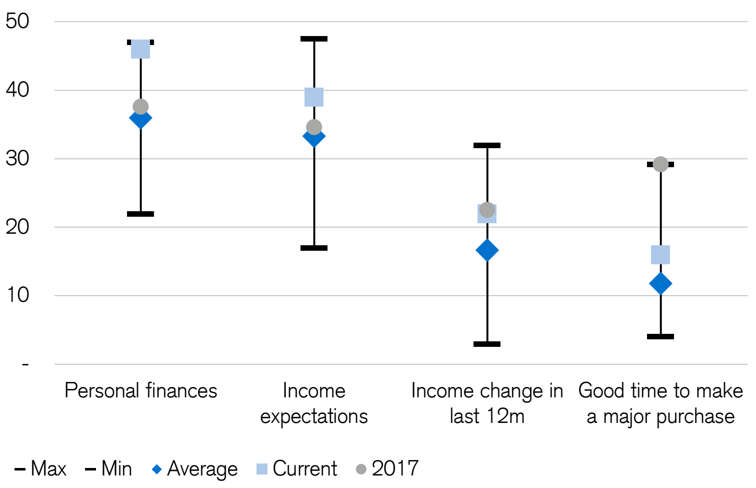


Figure 11: Consumer scorecard indicators (%) – Russia

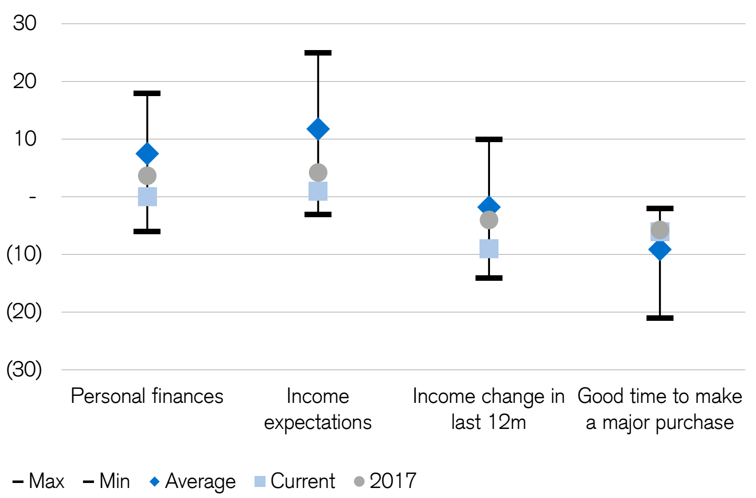
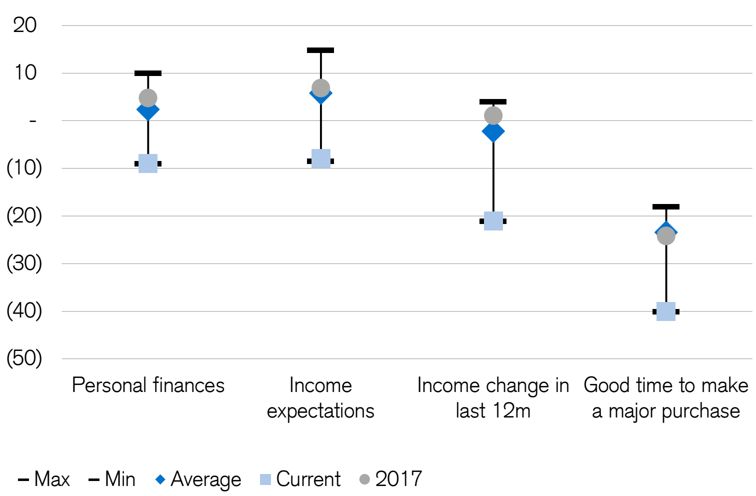


Figure 12: Consumer scorecard indicators (%) – Turkey



Source Figures 10–12: Credit Suisse Emerging Consumer Survey 2019

seen an improvement in personal finances, income expectations and change in income in the last 12 months, with the respondents' perception of their personal finances and income expectations at their highest levels over the life of our survey. Our Latin American analysts reflect on Brazil and Mexico in detail later. They do see a strong outlook looking ahead for Brazil, although they flag considerable uncertainty in Mexico, notwithstanding the leap in confidence after the recent elections. The sentiment indicators for China may look solid relative to other countries, but, when judged against their own history, they present a less-compelling picture. The current scores have all declined from last year and are now below average, with income expectations notably at their lowest level since 2011.

As highlighted above, the current readings have all deteriorated for Russia if not to historic lows. While Russia has been the subject of sanctions imposed by the European Union, the USA and other countries such as Canada since 2014, there have been other factors weighing on the consumer. In 2018, the Russian government sought to make controversial pension reforms and raise the retirement age, which was met by a series of countrywide demonstrations. The Russian government also revealed plans to increase the value added tax rate. Another crucial factor in declining consumer sentiment is the rise and fall of oil prices. Turkey is at historic lows on all metrics. A macroeconomic cocktail of currency and debt crisis, fueled by political unrest, will undoubtedly have burdened consumer sentiment in this year's survey readings.

The Emerging Consumer Scorecard

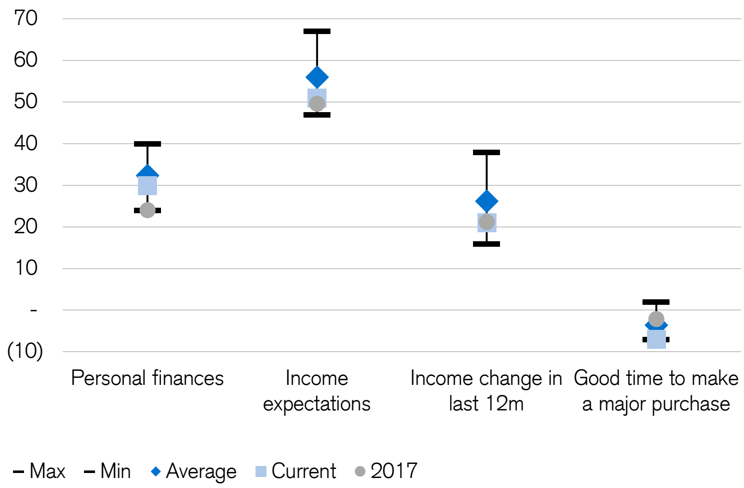
Our Scorecard draws the responses to the five questions together in a very simple manner to provide an overall assessment of the mood of the consumer. We compare countries and rank each one relative to the other survey countries. Each factor is given an equal weight, although the two income questions are treated as one factor, with the future/past income questions given a 50:50 weight to form an overall ranking. We then take an average of the rankings across the questions to provide a composite score.

Despite a weaker tone on some metrics, India has retained its top position and boasts strong relative readings on most metrics. It has sustained its top rankings in recent years despite the arguably disruptive shocks to the economy caused by the implementation of the Goods and Services Tax (GST) and demonetization. The ongoing buoyancy of the economy and huge improvements and investments in ground level infrastructure (access to roads, phones, internet and electricity) have been positive drivers and remain so. However, our local analysts now highlight a weaker nearer-term risk, not least as the positive impact of the income benefits of the "once in a decade" pay commissions fade in the rearview mirror as an influence.

While overall consumer confidence in China remains high in absolute terms, the weakening tone has seen China relinquish second place to Brazil and it now ranks third in the Scorecard. China's economic slowdown and US-China trade tensions serve as the backdrop to this scenario. Prevailing real wage growth is at its lowest in seven years. In response to the economic slowdown, Chinese policymakers pledged stimulus packages at the beginning of 2019 targeting six areas to unlock the structural potential in domestic consumption. We will see how this feeds through in the surveys ahead. Brazil and Mexico have each climbed up two places in the Scorecard and are now in the second and fourth position, respectively. While Brazil ranks first in personal finances and inflation expectations, and second in household income expectations, Mexico ranks second in inflation expectations and third in personal finances. Thailand, this year's new addition, enters the Scorecard in sixth place. Russia retains its seventh position in the Scorecard and Turkey is rooted to the bottom.

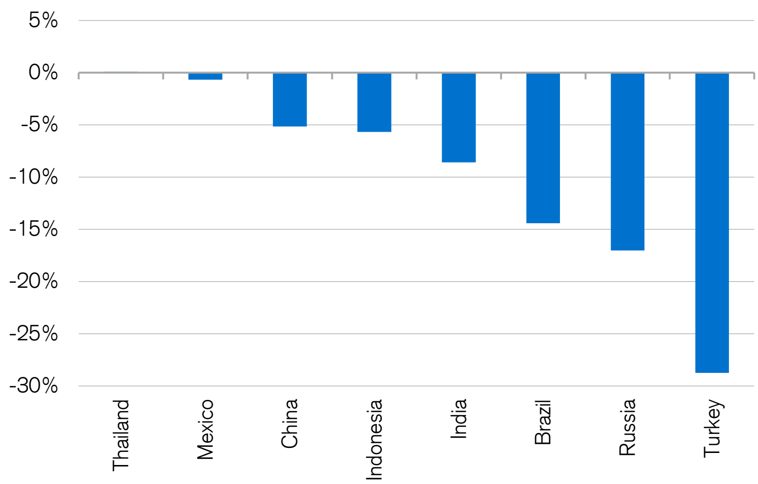
We would by no means present this Scorecard as an overly scientific exercise. However, we believe it provides a good cross-sectional summary of emerging consumer sentiment and related drivers. The countries at the top have typically reflected the end-consumer markets with momentum looking forward. However, we believe the survey's other granular sector and, in particular, demographic overlays provide significant added value. The young versus older consumer is a particular axis along which to strike contrasts as we show in the "The mood of the millennials" chapter. We delve into such intra-country themes in the chapters thereafter.

Figure 13: Consumer scorecard indicators (%) – Indonesia



Source: Credit Suisse Emerging Consumer Survey 2019

Figure 14: Currency change vs. USD in 2018 (%)



Source: Thomson Reuters, Credit Suisse

Table 2: Emerging Consumer Scorecard 2019

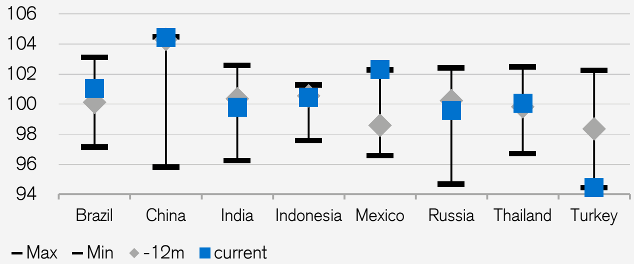
Rankings (6-12 month horizon)	Personal finances	Inflation expectations	Time for a major purchase	Income expectations	Income history	2019 rank		2018 rank
India	2	5	1	3	1	1	→	1
Brazil	1	1	7	2	7	2	↑	4
China	4	4	2	6	3	3	↓	2
Mexico	3	2	6	4	5	4	↑	6
Indonesia	5	6	5	1	2	5	↓	3
Thailand	6	8	3	5	4	6		n.a.
Russia	7	7	4	7	6	7	→	7
Turkey	8	3	8	8	8	8	↓	5

n.a. = not available. Source: Credit Suisse Emerging Consumer Survey 2019


North
BRAZIL
AMAZON
BASIN
Manaus
Santarém
Marajó Island
Belem
COLOMBIA
Bogota
ECUADOR
Quito
Cuenca
Guayaquil
PERU
Lima
Iquitos
Chiclayo
Trujillo
BOLIVIA
La Paz
Santa Cruz
Sucre
Oruro
Brasília
Macapá
Boa Vista
Galapagos Islands
Asunción

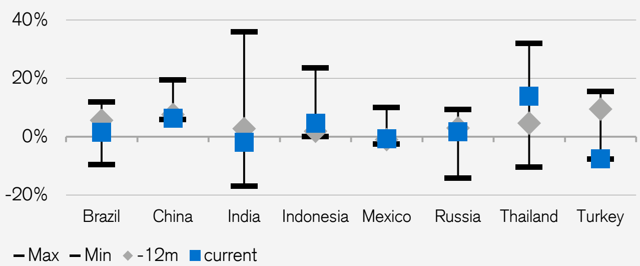
Spotlight on macro

EM8 consumer confidence (vs. post 2010 range)



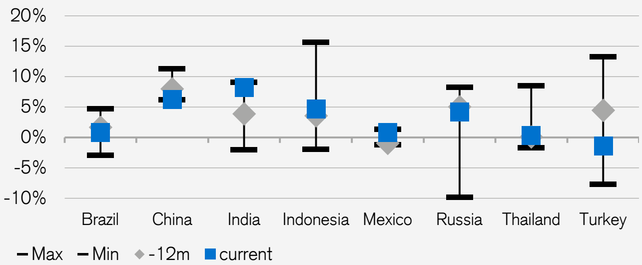
Source: OECD Main Economic Indicators, Credit Suisse

EM8 real retail sales growth (vs. post 2010 range)



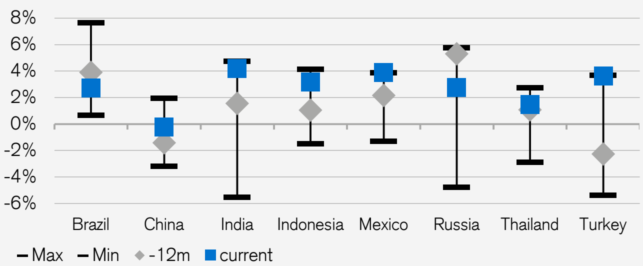
Source: Thomson Reuters, Credit Suisse

EM8 real wage growth (vs. post 2010 range)



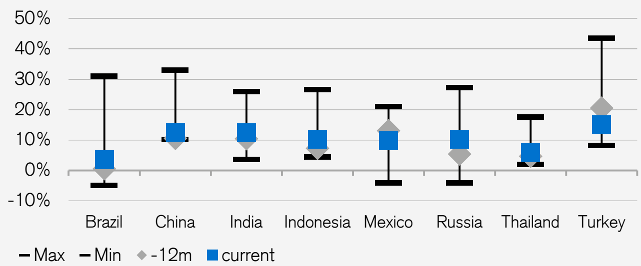
Source: Oxford Economics, Credit Suisse

EM8 real interest rates (vs. post 2010 range)



Source: Central bank data, Credit Suisse

EM8 private sector credit growth (vs. post 2010 range)



Source: IMF– International Financial Statistics, Credit Suisse

The EM macro "barometer"

Alexander Redman, Arun Sai

For the third successive year, we present an overview of six macro consumer-related metrics for the eight countries (EM8) under discussion in the study. This offers a separate year-on-year analysis of the observed changes to the EM consumer environment utilizing a core selection of standardized macro indicators. They are assembled with comparable methodology.

The consolidated "barometer" of macro momentum that emerges is not designed to mirror the rankings from our survey, but more to reflect the nature of immediate macro challenges and tailwinds at work in the countries concerned, some of which we have highlighted. The factors examined are not mutually exclusive – the impact of politics on the consumer is a variable and not easily captured.

For each of the six indicators, we provide an illustration of each country's historical range since 2010 – thus removing distortions resulting from the global financial crisis – highlighting the latest data point and the position 12 months ago to show momentum over the past year.

In the macro scorecard, we consolidate these metrics as a heat map. To construct this, we calculate the current percentile position from lowest to highest across the entire eight-country/nine-year historical range for each metric. For real interest rates (where a high number is indicative of consumer strain), we invert the ranking. To achieve an overall country score by which the heat map is displayed, we calculate a simple and far-from-scientific average of the percentile ranks for the six metrics.

Key changes to the country scores over the year
Congruent with the altered country composition of this year's survey, we have replaced South Africa in the analysis with Thailand. To allow for a relevant year-on-year comparison, we have recalculated the entire historical dataset as if Thailand were included over the duration. Thus the 2018 average country scores (for the EM8 excluding Thailand) in this year's heat map do not precisely correspond with those printed in the 2018 survey, yet the order of merit remains largely intact.

The average 2019 country score across the EM8 has declined modestly year-on-year from 41% to 39%, although this may be attributed to the major fall in the score of just one country, Turkey (to 14% from 58%), without which the EM7 (excluding Turkey) score would have marginally increased by one percentage point (pp). The collapse in Turkey's readings also impacted the survey.

Relative to their 2018 average scores, four of the EM8 recorded a higher score in 2019, with by far the largest year-on-year improvement in Mexico (to 41% from 22%), sufficient to propel the country up three places in the rankings to fifth position from last place in 2018. Thailand also ascended the scorecard by three places to second this year versus fifth in 2018, albeit with a lower progression in average score (to 46% from 36%). Indonesia and Russia posted modest gains in average score on the year by three and six percentage points, respectively, while Brazil's score was unchanged on 2018.

China: In first place on our EM macro momentum scorecard for the third consecutive year, China nevertheless recorded a drop in the average score across the six metrics to 66% from 73% in 2018. Although consumer confidence remains extremely elevated and there has been a modest uptick in private sector credit growth, all four other metrics have worked against an improvement in the consumer environment over the year, the most notable being real wage growth, which, at 6.2%, is at its slowest pace in seven years. The trade conflict coupled with administrative measures to boost SOE productivity and tackle excess leverage has somewhat dented the progression of consumerism seen in recent years.

Thailand: In second place, Thailand's score has gained ten percentage points year-on-year (YoY) due to an across-the-board improvement in all six macro metrics, with the exception of measured tightening in real interest rates, up by 40 basis points (bp) since March 2018, although real rates remain the second most accommodative among the EM8 after China. Up by 14% YoY, the pace of real retail sales growth in Thailand is the swiftest across the EM8 countries.

Indonesia: Up by a single place to rank third on our scorecard and posting a modest three-percentage-point increase in average score, Indonesia's improved consumer metrics can be explained by an initial recovery in real retail sales growth (to 5% from 2%) and private sector credit growth (to 10% from 7%), which were offset by an almost tripling of real interest rates (to 3.2% from 1.1%) as the central bank tightened monetary policy five times over the past 12 months in defense of a then depreciating rupiah.

India: Up by 8% YoY, Indian real wages are experiencing the quickest growth rate among the EM8 countries. However, a 2% YoY contraction in real retail sales – the slowest in almost five years – in conjunction with a 260 basis-point tightening in real interest rates – now the highest across the EM8 – have diminished India's average score across the metrics by four percentage points YoY, marking the country down by one place to fourth on our scorecard.

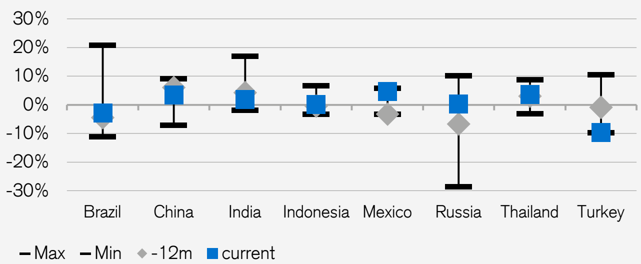
Mexico: We attribute Mexico's leap up three places on our scorecard – delivering the largest positive average score differential on the year among the EM8 (19 pp) – to the country's 2018 political transformation. Andrés Manuel López Obrador's 78% approval rating is the highest for the first trimester of a presidential term. He is the first candidate elected with a majority (53%) since 1988. Consumer confidence is polling at the strongest level since 2001. Only a tightening in real rates and a modest decline in credit growth prevented an even greater increase in Mexico's ranking.

Russia: A measured year-on-year recovery in private sector credit growth and real house prices in conjunction with an easing of real interest rates have improved Russia's average score across the six metrics by six percentage points since March 2018, sufficient to climb the EM8 ranking by a single place to sixth. However, modest declines in consumer confidence, real retail sales growth and real wage growth have checked Russia's advance.

Brazil: Brazil is the only EM8 country to register no change in its country average score and ranking relative to the March 2018 data. A post-October presidential transition pick-up in consumer confidence (similar to Mexico) was offset by a fall in real retail sales growth over the year.

Turkey: Turkey was exceptional among the EM8 in registering a meaningfully less attractive percentile rank on all six of our metrics, thus accounting for the country's six-position slide in the rankings to last place from second in 2018. Real retail sales growth fell to a post-2010 record low of –8%, with real rates rising to a fresh high of 4% associated with the country's deepest currency crisis since 2001.

EM8 real house price growth (versus post 2010 range)



Source: OECD Main Economic Indicators, Credit Suisse

Table 1: Macro Momentum Scorecard

Country	Consumer confidence	Real retail sales growth	Real wage growth	Real interest rates	Private sector credit growth	Real house price growth	Average 2019	Average 2018	
China	100%	56%	66%	67%	43%	64%	66%	73%	↓
Thailand	54%	90%	17%	33%	15%	65%	46%	36%	↑↑
Indonesia	65%	44%	53%	17%	31%	39%	41%	38%	↑
India	49%	11%	82%	11%	42%	51%	41%	45%	↓
Mexico	95%	15%	22%	13%	28%	73%	41%	22%	↑↑
Russia	46%	23%	49%	20%	30%	40%	35%	29%	↑
Brazil	79%	23%	22%	20%	7%	17%	28%	28%	↔
Turkey	0%	4%	4%	14%	57%	5%	14%	58%	↓↓

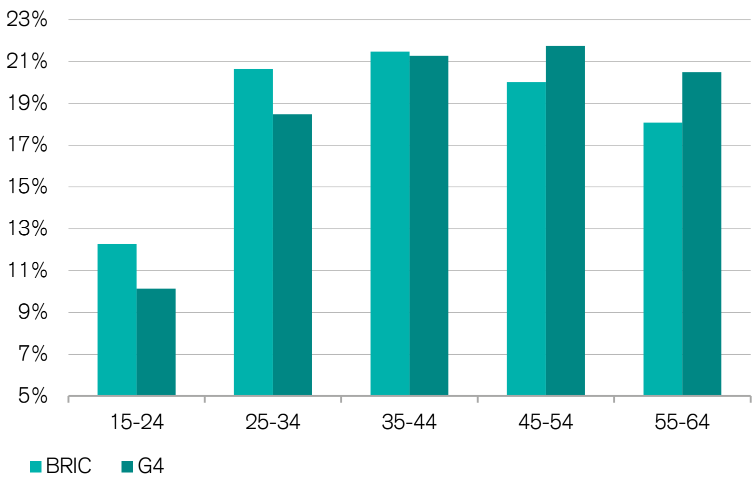
Source: OECD Main Economic Indicators, Thomson Reuters, Oxford Economics, Central bank data, IMF, BIS, Credit Suisse research

The mood of the millennials

Eugène Klerk, Findlay Williams

In past Emerging Consumer Surveys, we have analyzed consumer behavior largely from a theme perspective, such as healthy living and e-commerce. This year, we have decided to put the spotlight more on the younger emerging market consumer. The reason is that the young tend to matter more as they earn above-average wages compared to their peers in other regions and older consumers locally. We assess who is most optimistic and which consumer end-markets appear to be most attractive for the millennials. Overall, the picture that emerges indicates a greater appetite for spending on health and convenience-related lifestyle products at the expense of spending on big-ticket discretionary items. Young consumers in Brazil have the most optimistic expectations about income and finances. On the other hand, younger consumers in China show a more muted outlook.

Figure 1: Distribution of average income by age group, 2018



Source: Credit Suisse Emerging Consumer Survey 2019

The millennial matters

The relevance of the young emerging consumer to spending trends cannot be underestimated in our view as younger consumers across emerging markets tend to earn above-average wages relative to older consumers. Furthermore, we find that the share of income earned by millennials (generally born between the early 1980s and early 2000s, but represented in the survey by the 18–29 age bracket) across emerging markets is also higher than the share earned by their peers across developed markets. Knowing the "mood of the millennials" is therefore important for investors focused on emerging markets.

The first chapter of this year's survey highlights our "scorecard" for emerging consumers and shows that consumers across all age groups were most optimistic in India, Brazil and China. As far as the younger consumer is concerned, we find that 18–29-year-olds in Brazil, India and Indonesia rank highest in terms of income expectations and personal finances. The change in sentiment appears particularly striking for younger Brazilian consumers given that they rank only sixth in terms of last year's change in income. The spending outlook for young consumers has deteriorated in China, where the millennial only ranks fifth on these measures, despite coming third in terms of income changes during the past 12 months.

The shift to renting a more convenient lifestyle

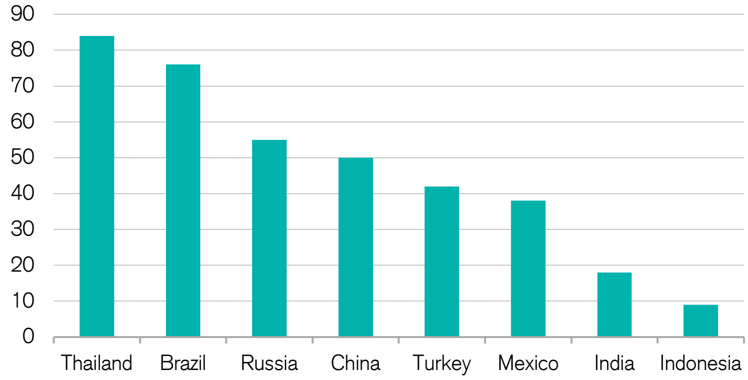
In order to gain a more granular understanding of the "mood of the moment" for the younger consumer, we reviewed spending intentions for them across a number of consumer end-markets ranging from bigger-ticket items such as cars and holidays to more lifestyle- and choice-related areas such as food delivery and fast food, sports and online behavior. The picture that emerges from this analysis suggests that younger emerging market consumers appear to be shifting toward a more convenient lifestyle. Renting appears more popular than owning across most of the end-markets reviewed.

Car ownership: Growth momentum appears to be slowing down

Spending on discretionary items is rising as disposable income increases. Our survey data suggests that this has indeed happened in regard to car ownership as, in countries such as China, household spending on cars has more than doubled since 2010 to 50%. In Brazil, it has risen around 50% since the start of our survey in 2010. Optimistic investors would suggest that this growth is likely to continue given that higher GDP per capita levels tend to correspond to much high car sales than currently seen across our surveyed countries.

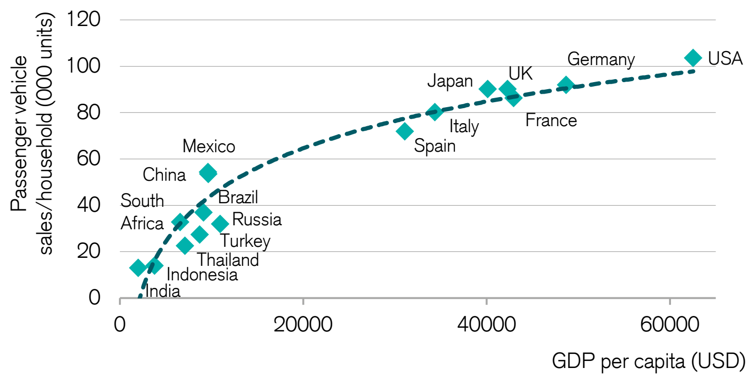
The question is whether car ownership rates are likely to continue to grow going forward. The signs from this year's survey are not uniformly positive in our view – a finding that is also echoed by our Indian team in the section on the Indian consumer, which shows that after a number of years where consumers indicated an increasing appetite to buy cars, the intention to buy a car declined in this year's survey. The decline appears particularly significant for the younger generation (aged 18–29). A review of the data by country indicates that the decline in the intention to buy cars is relatively wide-spread, but most pronounced in China, India and Mexico. In this regard, we note that our Chinese automotive analyst recently upgraded his forecasts for car sales in China this year based on his views that the Chinese government would enact a stimulus package partly focused on local car sales. The decline in interest among younger consumers to buy a car suggests that this is indeed necessary.

Figure 2: Car ownership – % of households, 2018



Source: Credit Suisse Emerging Consumer Survey 2019

Figure 3: Annual car sales per household vs. GDP/capita



Source: World Bank, local agencies, Credit Suisse Research

Figure 4: Intention to buy a car next year (% of participants)

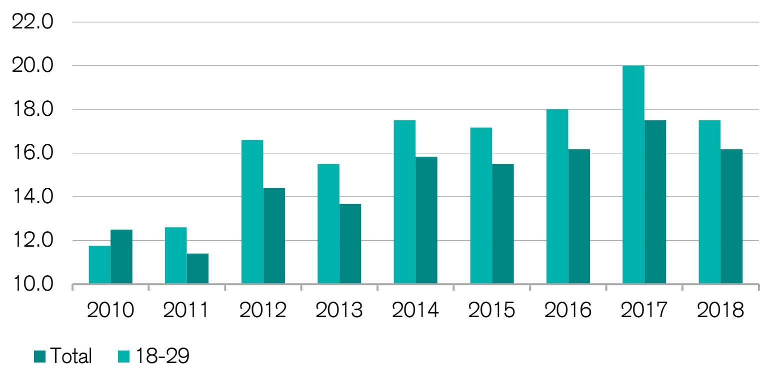
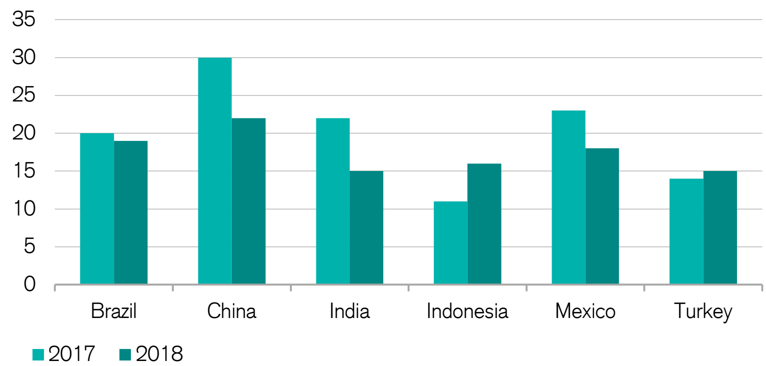


Figure 5: Intention to buy a car – % of 18–29-year-olds



Source Figures 4–5: Credit Suisse Emerging Consumer Survey 2019

Table 1: Top three most popular car brands for 18–29-year-olds

	Brazil	China	India	Indonesia	Mexico	Russia	Turkey	Thailand
1	Fiat	Volkswagen	Maruti Suzuki	Toyota	Nissan	Hyundai	Ford	Honda
2	Volkswagen	Toyota	TATA	Honda	Volkswagen	Kia	Opel	Toyota
3	GM	Honda	Honda	Daihatsu	Chevrolet	Toyota	Peugeot	Ford

Source: Credit Suisse Emerging Consumer Survey 2019

Figure 6: % of consumers surveyed intending to go on vacation this year

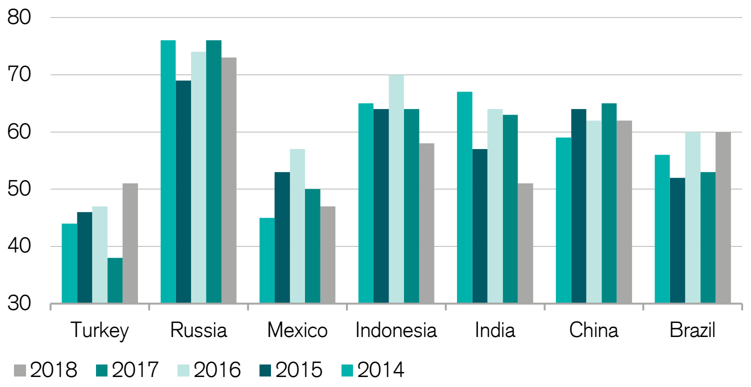


Figure 7: % of consumers intending to go on vacation

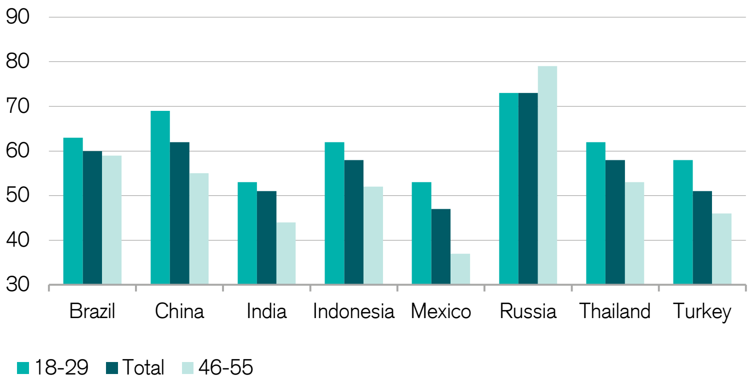
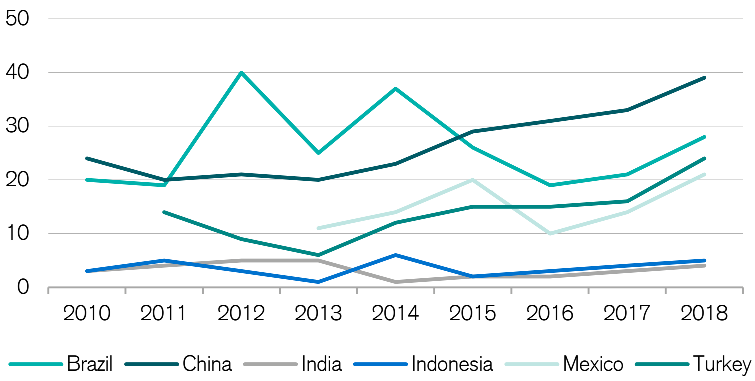


Figure 8: % of 18–29-year-olds flying to their holiday destination



Source Figures 6–8: Credit Suisse Emerging Consumer Survey 2019

Although young people appear less excited about buying a new car, we do note that they have a preference brand-wise. The survey data shows that Volkswagen, Toyota and Honda are the brands that young consumers are most likely to buy if they do purchase a car. Other brands may therefore be more heavily impacted by any structural shift away from car ownership by younger consumers in our view.

On holiday with the millennials

As disposable income rises, consumers are more likely to spend some of the increase on holidays. Our survey data shows that, while the share of consumers intending to take at least one vacation this year is high, the percentage is below previous peaks in five out of seven countries. Turkey and Brazil are the notable exceptions in this case.

What is also interesting in this year's survey data on holidays is that spending momentum among younger consumers is stronger than for older consumers, but this trend is fading too.

Although momentum in respect to taking vacations this year appears to be slowing down from previous surveys, we do find that this development does not appear to have an impact on the consumers' appetite toward flying. The share of consumers that fly to their holiday destination is steadily increasing across virtually all markets. Young consumers in particular show a unilaterally greater degree of airplane usage. For example close to 40% of young Chinese consumers flew to their destination last year, up from around 20% in 2013. Even in the lower GDP/capital countries such as India and Indonesia, we find a steady increase with around 5% of millennials now taking planes.

Although airline travel is showing stronger momentum than holiday travel overall, we note that this does not automatically mean that global airline companies benefit as much from this. The reason is that the share of consumers intending to go abroad for their next vacation remains low. China leads in this regard, with 15% of consumers expecting to travel overseas. For the other countries, it is less than 8%. Younger consumers do not necessarily show much more appetite for international travel, which suggests in our view that cyclical macroeconomic headwinds may be supporting local travel over international travel in the short term. Regionally focused low-cost airlines, duty free stores and airports look best placed to benefit from this trend. One other group that might prove to be relatively insulated from cyclical headwinds are online travel agents. Our survey data indicates that the share of consumers using online travel agents is highest in China at just over 30%, followed by India at less than 25%. Across the other countries, less than 15% of people used the internet during the past six months to book travel arrangements. We see some potential upside to this share, which could offset any cyclical headwinds to travel overall and still leave online travel agents with positive growth momentum going forward.

A lifestyle that is becoming more convenient

We should probably not be too surprised to find that the appetite for owning "bigger-ticket" items such as cars declined somewhat among younger consumers last year given the cyclical headwinds experienced in most markets. In fact, our China analysts also refer to this in their section where they refer to a shift in Chinese consumer spending toward the "experience economy." The apparent trend in young consumers focusing on experiences and convenience instead of bigger-ticket items is not just based on a growing interest in flying rather than driving, but also on the survey results in regard to "convenience" areas such as food delivery services or even music streaming services.

Our survey data shows that while the fast food chains are popular across the range of countries, popularity levels differ substantially across these markets for the globally recognized chains. For example Burger King and McDonald's are popular with younger consumers in Brazil, Russia and Turkey, but not really in China, India, Mexico and Thailand. On the other hand, KFC is popular in China, Indonesia and Thailand. India and Mexico are the only countries where none of the five globally recognized fast food chains have a penetration of more than 30%.

In addition to fast food chains, we also asked our consumers about their behavior toward food delivery services. These services have grown strongly across developed markets, with companies such as Deliveroo and Just Eat, but they are also becoming well entrenched with consumers in our emerging countries. In China, for example, some 90% of consumers aged 18–29 have used food delivery services in the past few years. Across all markets, the share of young consumers is above 20%, which leaves strong growth potential in our view.

Figure 9: % of consumers planning their next vacation abroad

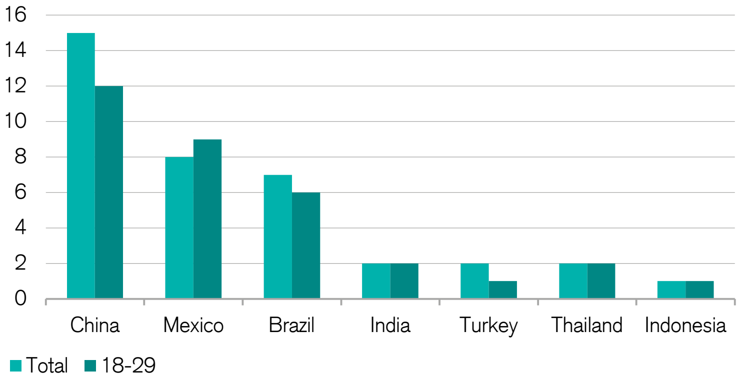


Figure 10: % of 18–29 year olds that regularly visit specific fast food restaurants

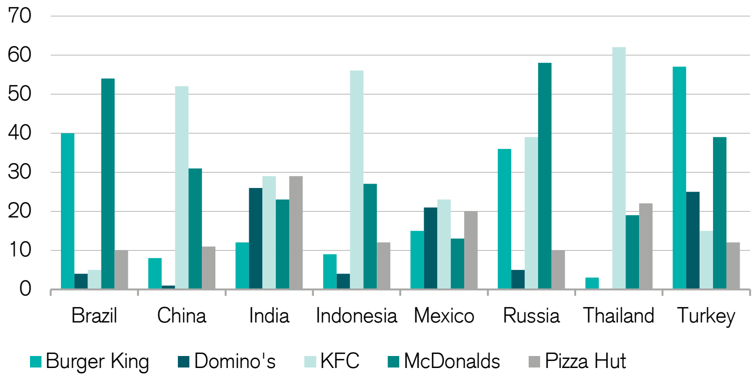


Figure 11: % net share of consumers that used food delivery services more last year

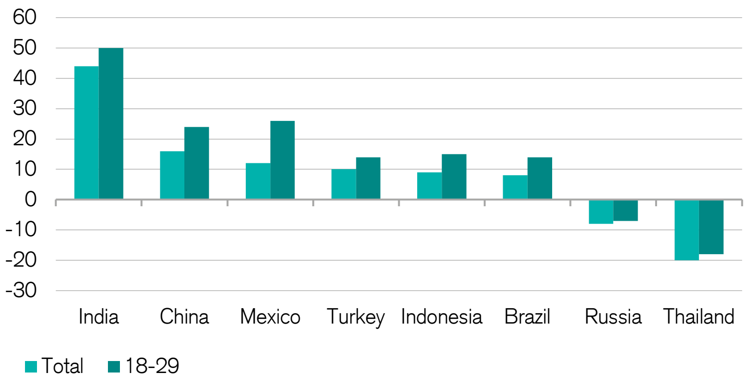
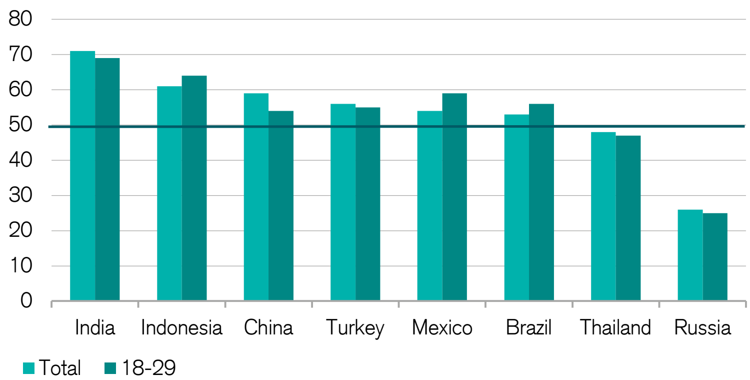


Figure 12: % of consumers that have visited fast food restaurants less since using food delivery



Source Figures 9–12: Credit Suisse Emerging Consumer Survey 2019

Figure 13: Hours spent on mobile phones per day (% of consumers)

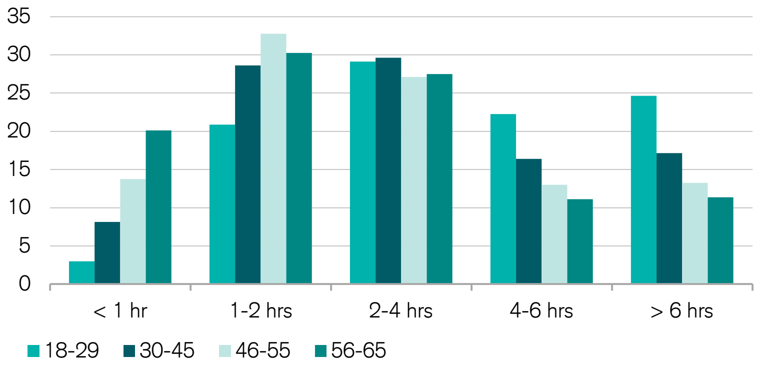


Figure 14: Net % of 18–29 year old consumers that intend to purchase more online

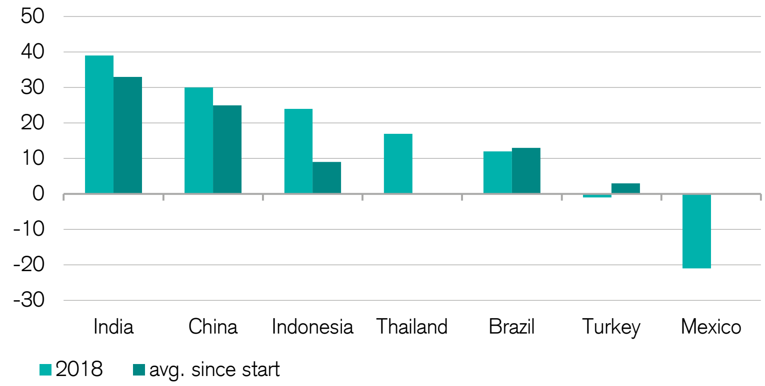


Figure 15: % of consumers that use online music streaming services

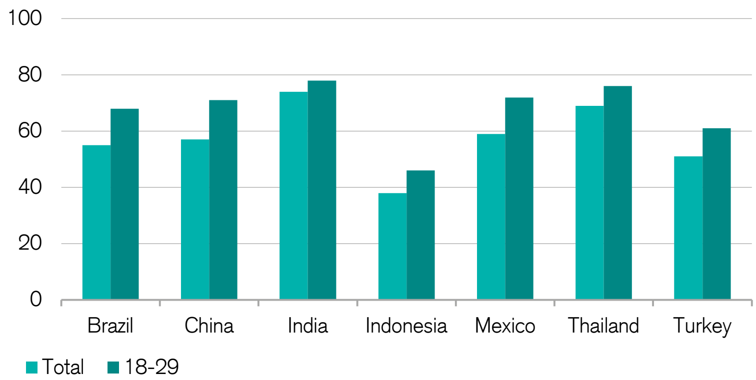
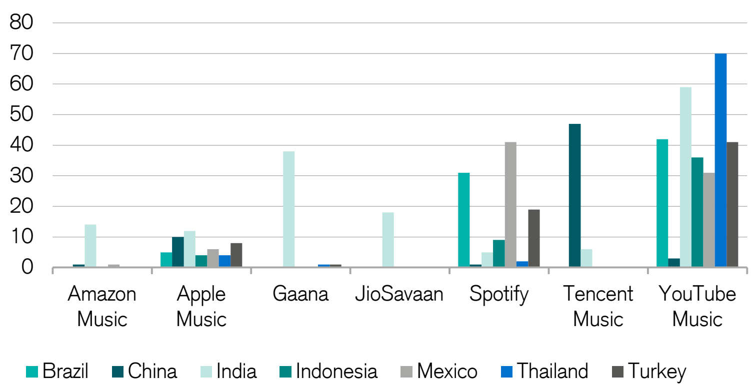


Figure 16: % of 18–29-year-olds using certain streaming services



Source Figures 13–16: Credit Suisse Emerging Consumer Survey 2019

The fact that food delivery services are gaining in popularity can be seen through the net share of consumers who have used these services more last year. With the exception of Russia and Thailand, we find that this net share is indeed positive. Momentum among the 18–29 age bracket, however, is stronger than for the overall population across all the markets surveyed, which in turn lends support to the notion that younger consumers have a greater appetite for a convenience-focused lifestyle.

In contrast to the outlook for food delivery companies, our survey finds that the fast food restaurant sector may be heading for more challenging times since a majority of participants indicated that they had used these restaurants less since starting to adopt food delivery services. More than anything, this suggests that younger consumers are not only switching to more convenient products and services when available, but also that this development is in turn likely to disrupt incumbent convenience companies. The so-called "moat" for these companies might not be as wide or strong as previously thought.

The connected consumer

The ability to live a more convenient lifestyle is arguably enabled by online access. Our survey once again illustrates that young emerging consumers in particular are already very active on the internet or becoming increasingly so. For example, our Latin American team, in the section on e-commerce in the region, clearly outline the online growth seen to date as well as the growth opportunity that remains in their view. Across all markets, however, we see several indicators that support our view that the online and, by implication, convenient consumer theme is set to grow further.

- First, more than 20% of millennials spend more than four hours per day on their mobile phones, which is more than double the hours spent by people aged 46–65.
- Second, in most countries we find that there is a net positive share of consumers aged 18–29 that intend to increase online spending. Furthermore in case of countries such as India, China and Indonesia, the current reading is above the average of the prior eight years, despite the growth in online spending seen to date in these markets.
- Third, we can also refer to other activities that consumers deploy online. For example, streaming services (as opposed to buying music in a store) have become popular. The share of young people using online music services ranges from 48% in Indonesia to 78% in India. YouTube Music is the most popular service (except for China), followed by Spotify. On the other hand, Apple Music and Amazon Music have yet to make a real impact.

But is it a lifestyle that is becoming healthier too?

Finally, we look at whether younger consumers across emerging countries show indications of becoming healthier too. The survey provides us with a number of questions that allow us to gauge consumer interest in a healthier lifestyle, including alcohol and cigarette consumption, playing sport or eating healthier food.

Healthier food is gaining traction

We asked consumers whether they are consciously trying to eat healthier foods. The share of those that say they do is significantly greater than the share that say they do not in all countries except Russia. Interestingly, and maybe somewhat in line with the observations regarding beer consumption and cigarette use, we find that this net share is lower for younger consumers than for the broader population. A healthier diet appears to appeal most to consumers (young and older) in China and Indonesia, and least in Turkey and Russia.

The millennials are working out, set to join a gym and playing football

The answers to our "working out" and "sport-related" questions appear to corroborate the conclusions related to "healthy food." For example¨, we find that more than 40% of younger consumers work out at least once per week in all countries except Turkey. Activity levels appear highest in China, Brazil and Mexico, where 40%–50% work out at least once every three days.

One of the end-markets that looks set to benefit significantly from this are the health centers or gyms. In fact, growth in gym memberships could be above 50% for all markets given the share of consumers indicating an intention to join a gym this year relative to the share that are currently members. In the case of Brazil, we find that growth in gym membership could be more than 100% for the 18–29 age group.

In addition to gym membership, we also asked participants which other sports they are active in. Taking the median scores of all countries clearly shows that football is the most popular sport among 18–29-year-olds. However, significant differences exist between the countries. For example, 45% of young people in Brazil play football whereas this figure is just 4% in China. In China, badminton (23%), basketball (17%) and cycling (13%) are the most popular sports.

The interest displayed by young people across our emerging countries in playing sports makes that market relevant for consumer brands aiming to advertise their products to younger consumers. To do this successfully, these companies need to know where to advertise their products and

Figure 17: Net % of consumers agreeing/disagreeing to eat less sugary/unhealthy food

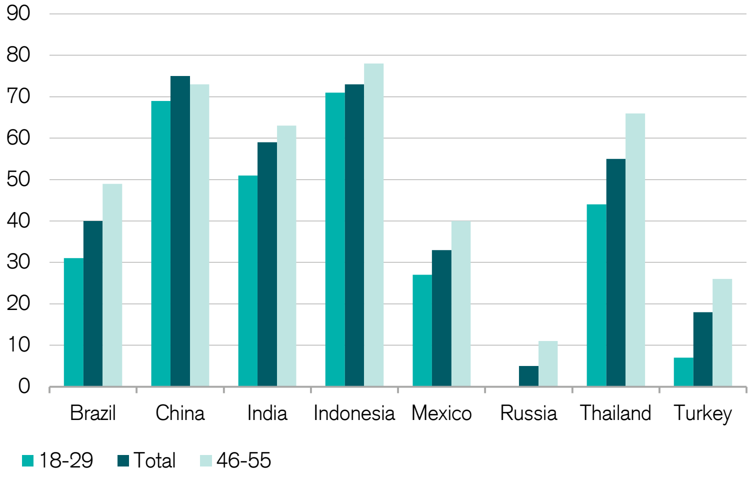


Figure 18: Frequency of working out: 18–29-year-olds

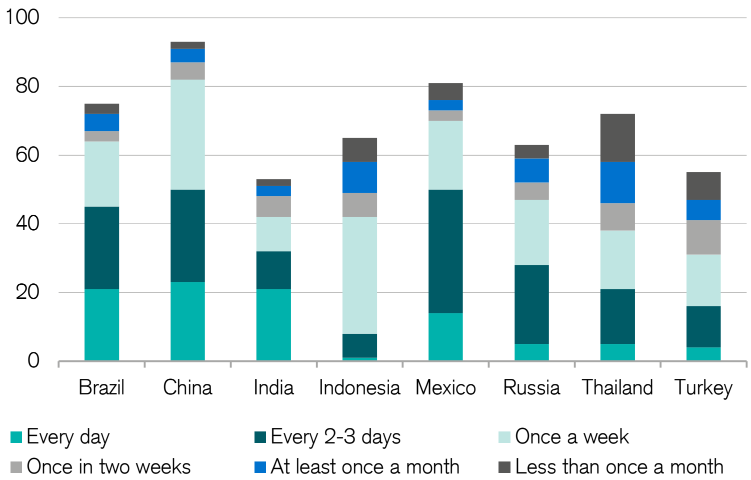
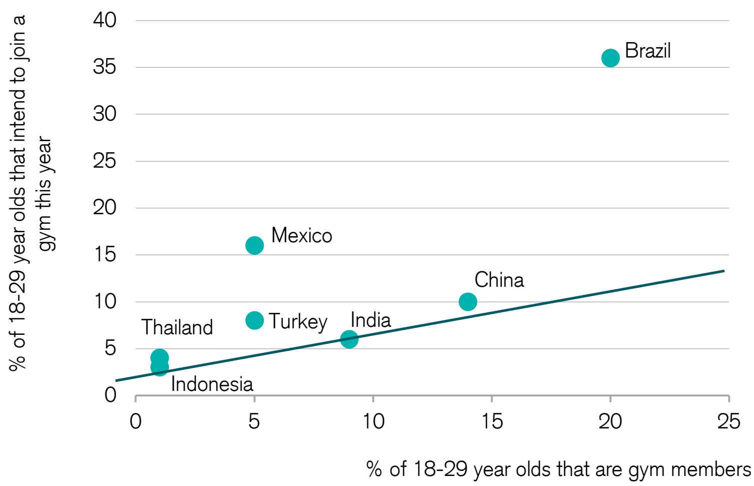


Figure 19: Gym membership for the 18–29 age group



Source Figures 17–19: Credit Suisse Emerging Consumer Survey 2019

Figure 20: % of 18–29-year-olds that play a sport – median of all countries

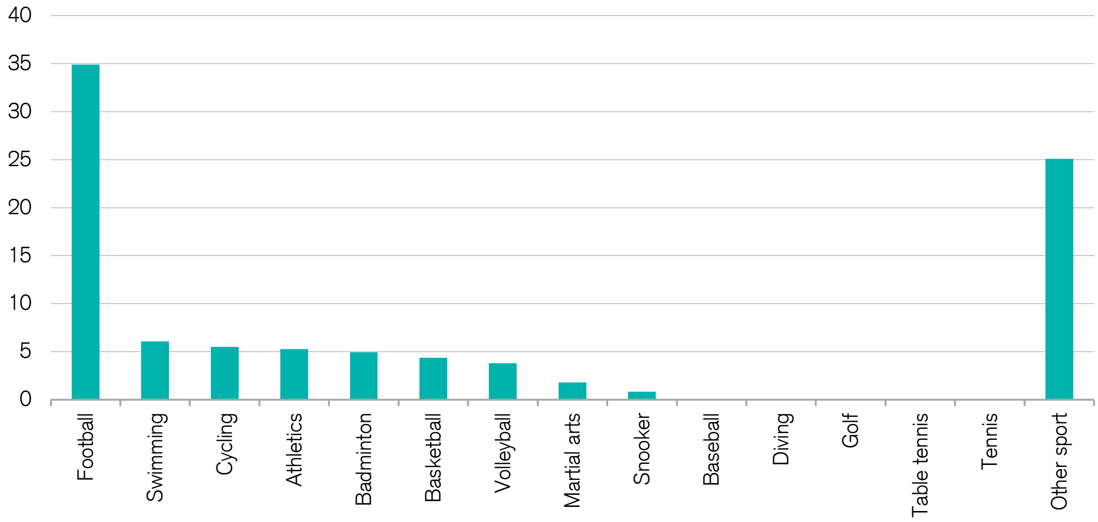


Figure 21: % of 18–29-year-olds that watch certain sporting competitions

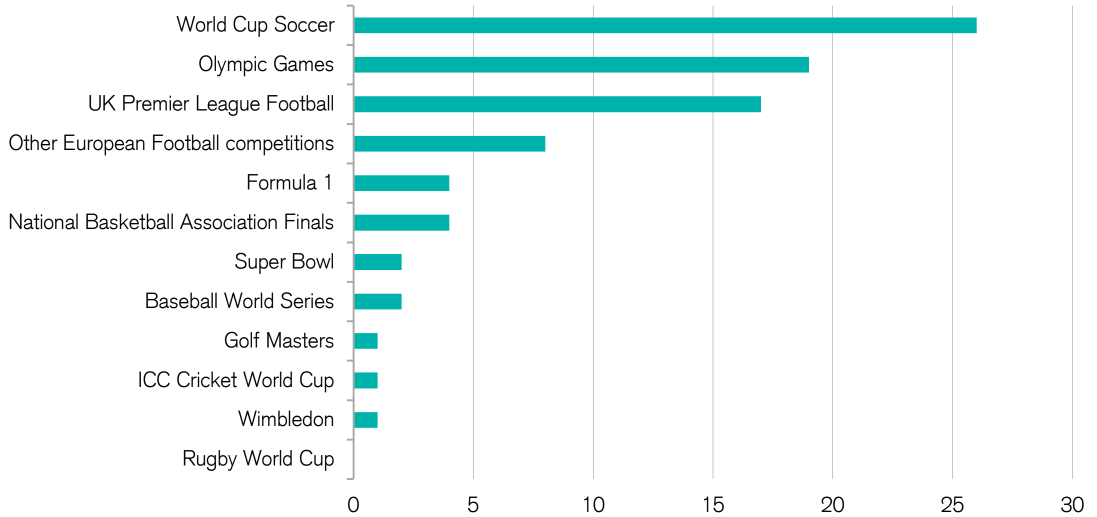
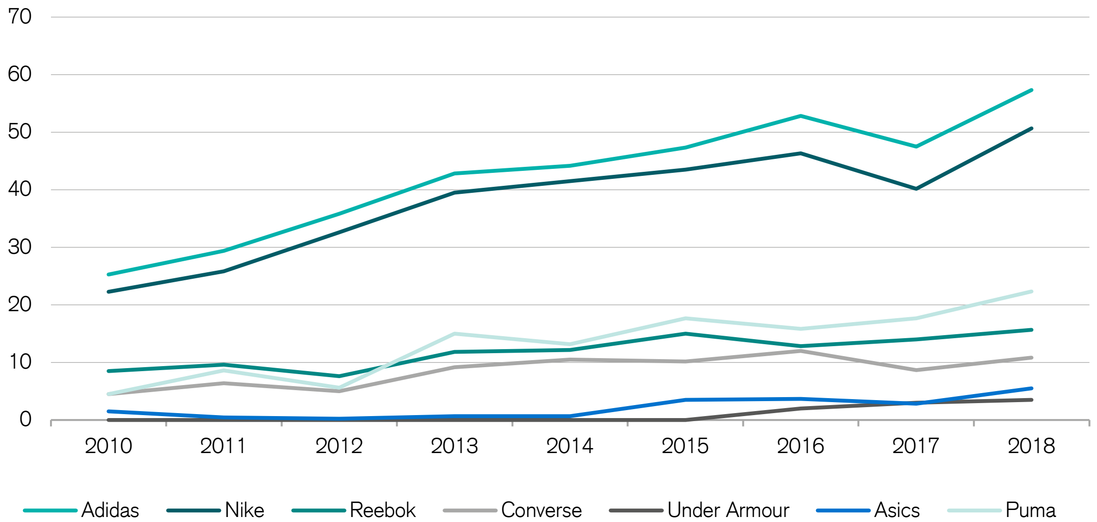


Figure 22: % of 18–29-year-olds indicating intention to buy



Source Figures 20–22: Credit Suisse Emerging Consumer Survey 2019

services. We asked our consumers and were not too surprised to find that football- (or soccer-) related competitions are the most popular events watched by the 18–29 age group in the countries surveyed. All other sports (with the exception of the Olympic Games) do not really feature.

Given the interest in playing and watching sports, we reviewed the popularity of the key global and local sports brands in order to judge which companies are benefitting most. Our survey suggests that, among younger people, Adidas, Nike and to some degree Puma are leading the field, and local and unbranded goods appear to be going out of fashion as a result. In China, the young consumer's intention to buy Anta, Lining, X step or 361 361 sportswear has now fallen for the second year in a row. Across all markets, we find that the appetite to spend on unbranded sportswear has fallen this year and remains low overall.

Alcohol and cigarettes:
The aspirational consumer
Data on alcohol and cigarette consumption seems to challenge our prior conclusions that younger consumers increasingly lead a healthy lifestyle. For example, the share of young consumers drinking beer is higher than for older consumers in all countries except Russia. Furthermore, this share for younger consumers is increasing in all countries except China.

International beer brands Budweiser and Heineken score best with the millennials across our markets. Momentum of the former improved in China (from third place to second place this year) and India (third from outside the top four last year).

Data on the use of cigarettes suggests that younger consumers are not rapidly cutting back on smoking either. The share of younger consumers that smoke is higher than for older consumers (with the exception of Russia and India) and has in fact increased over the past five years. However, we note that, as with beer consumption, young Chinese people seem to be "bucking the trend" with a decline in the share that smoke relative to five years ago.

While these data points seem to challenge the overall "healthy" conclusion reached earlier, we do wonder whether other factors may be at play. During times when the appetite to spend money on big-ticket items is declining among younger consumers, we may be witnessing a trend of aspirational brand buying at a slightly lower price point.

Figure 23: Spending intentions on select local sportswear by 18–29-year-olds

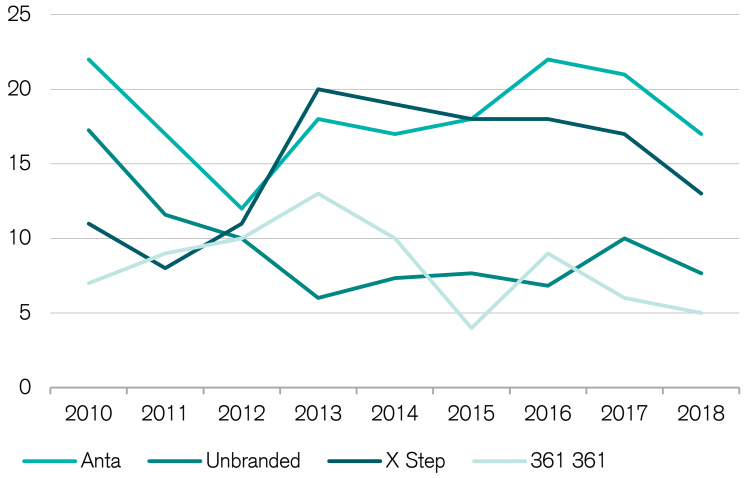


Figure 24: % of consumers that have consumed beer during the past three months

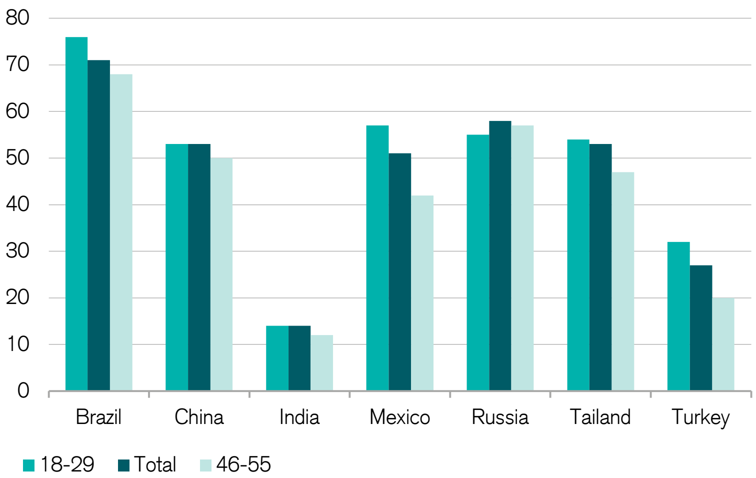
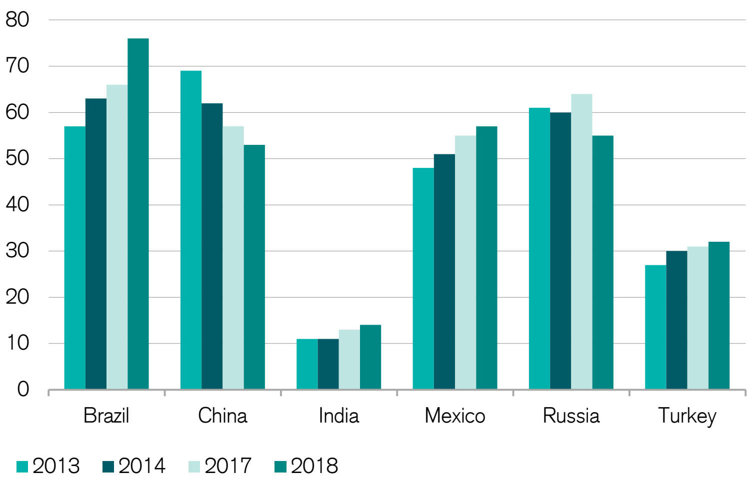


Figure 25: % of 18–29-year-olds that consumed beer during past three months



Source Figures 23–25: Credit Suisse Emerging Consumer Survey 2019

Table 2: Top three most popular premium beer brands for 18–29-year-olds

	Brazil	China	India	Mexico	Russia	Thailand
1	Budweiser	Tsingtao	Kingfisher	Heineken	Baltika	Singha
2	Heineken	Budweiser	Tuborg	Bud Light	Other domestic	Chang Premium
3	Bohemia (Brazil)	Snow	Budweiser	Bohemia (Mexico)	Tuborg	Heineken
4	Stella Artois	Corona	Carlsberg	Miller Light	Heineken	Other domestic

Source: Credit Suisse Emerging Consumer Survey 2019

Figure 26: % share of consumers that smoke cigarettes

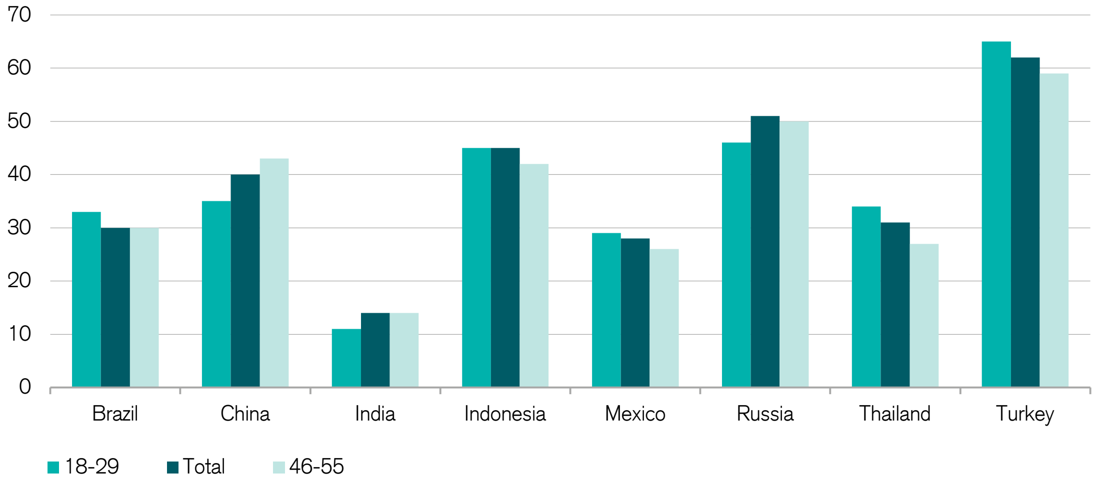
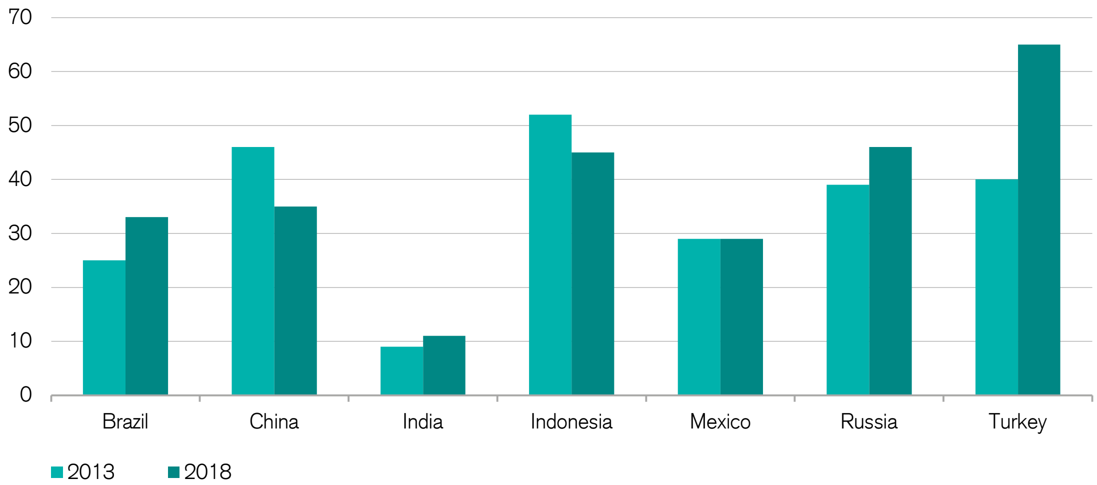


Figure 27: % of 18–29-year-olds that smoke cigarettes



Source Figures 26–27: Credit Suisse Emerging Consumer Survey 2019

Spotlight on the young consumer and gaming

Eugène Klerk

In last year's Emerging Consumer Survey, we highlighted the growth prospects of video gaming and the related emerging end-market of sports. We concluded that video gaming, with more than two billion participants globally, could be seen as the second most popular sport after football. Esports, or the world of competitive video gaming, was also showing strong growth as close to 400 million people globally already watch these events either live in stadiums or online.

The relevance of the emerging consumer for both video gaming and esports should not be underestimated. More than 600 million gamers are located in China alone, while more than 50% of revenues related to global video gaming is generated in emerging markets. Close to 60% of esports enthusiasts live in the Asia-Pacific region, again underlining the relevance of the emerging consumer to the theme. The financial aspects of esports tournaments should also not be underestimated. Last year's DOTA2 final had a USD 25.5 million prize pool for the participants.

This year's survey supports a positive outlook for further growth in video gaming revenues. In the surveyed countries, we find that a very significant share of young consumers (18–29 years old) use the internet for online video gaming. The highest share is still in China (67%, in line with last year), but Thailand is not far behind (63%). We also find that the share of young consumers indicating a desire to increase their time playing video games is increasing in China, Indonesia, Mexico and Turkey. While it may be down slightly in India, the reading of around 50% is still very high.

Given the popularity readings for video gaming among younger people in emerging markets we are not surprised to find that our esports-related questions provide a similarly positive story. The share of consumers indicating that they watch these events is rising in all countries except Turkey. However, with an overall 40% of gamers watching these competitions, we still see considerable growth potential.

Historically video games were played on consoles such as Sony's Playstation or the Microsoft X-box or on PCs. More recently, however, we have seen a significant shift toward mobile-based gaming. Our survey supports this view as the share of consumers using mobile devices for gaming is between 60% and 100%. Companies that do not provide effective mobile-based gaming products and services might thus find themselves left out of this growth opportunity.

Figure 1: % of 18–29-year-olds playing video games

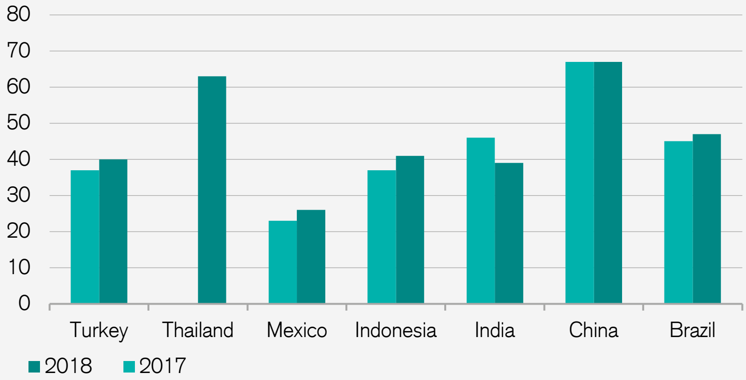


Figure 2: % of consumers intending to increase time spent gaming

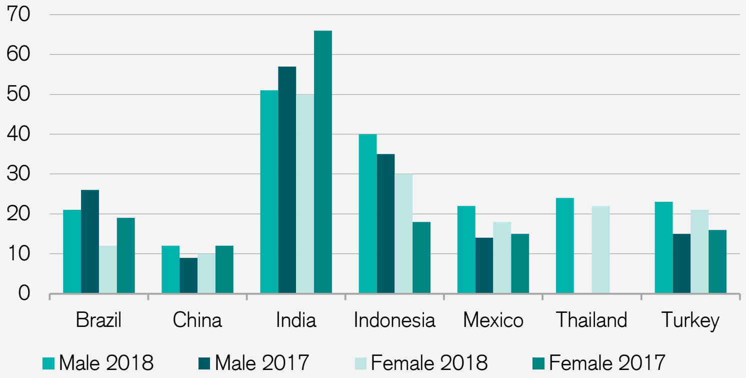


Figure 3: % of consumers that watch esports

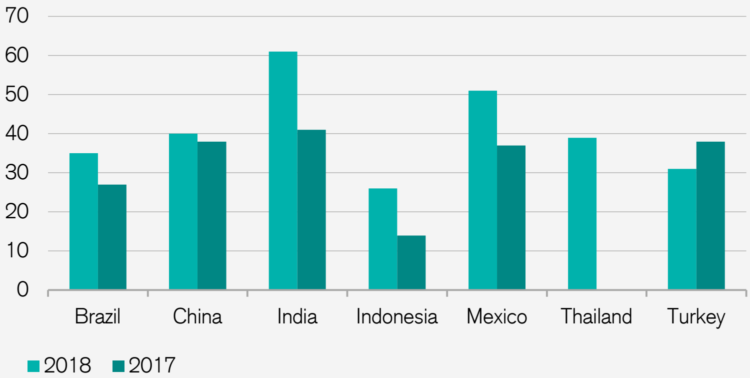
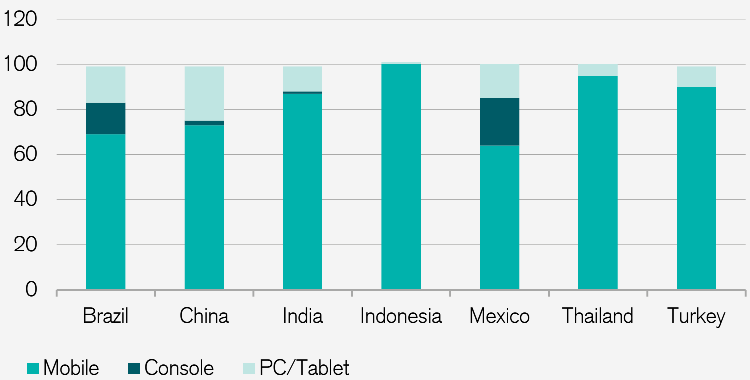


Figure 4: Devices used for gaming



Source Figures 1–4: Credit Suisse Emerging Consumer Survey 2019

Type of device used for video gaming

Although we are positive about the long-term growth prospects for video gaming and esports, we note that regulation might prove to be a headwind. Last year, the Chinese government stopped licensing new games and deployed stricter requirements in relation to the time that young consumers were allowed to spend gaming. Mental health concerns are one area typically seen as a driver for these developments. We will be watching the developments around this topic more closely this year, but note that our survey data so far does not suggest a drop in the share of young consumers in China that play video games.

Figure 5: Video gaming revenues in 2018 (USD bn)

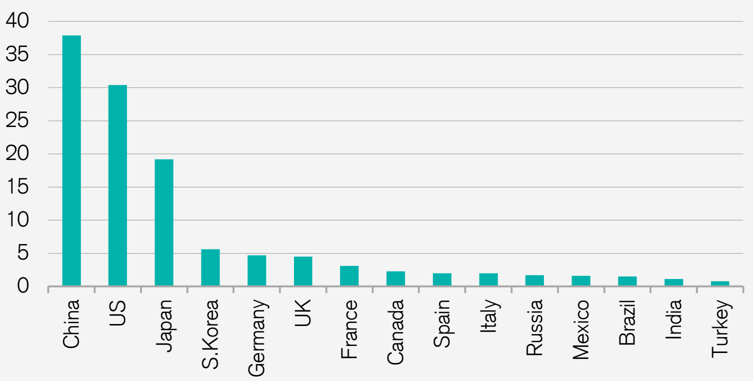


Figure 6: Annual gaming revenue per user in 2018 (USD)

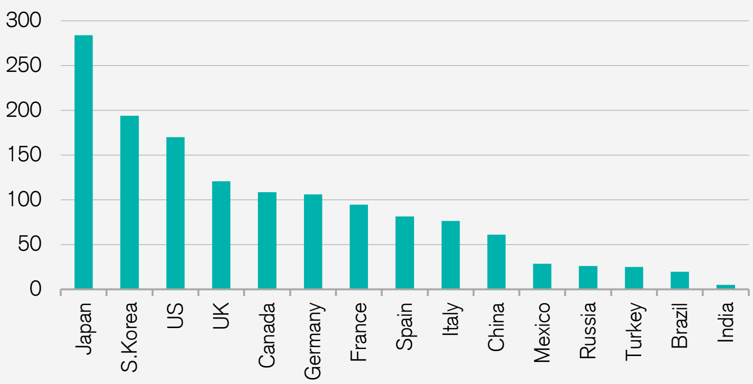
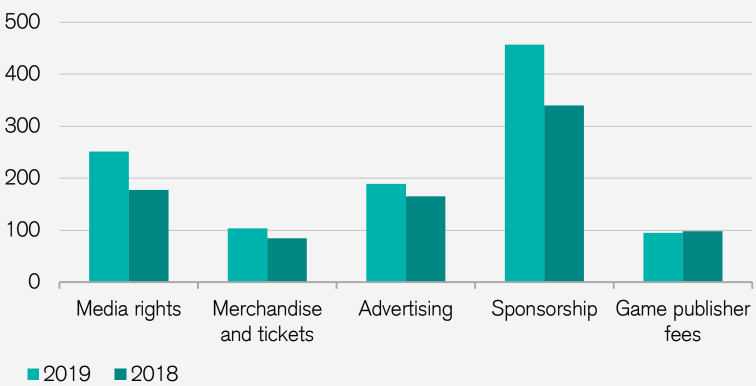


Figure 7: Esports revenue mix in 2018



Source Figures 5–7: Newzoo, Credit Suisse Research

Potential market size

It is worth considering what the growth potential of the gaming market is. Annual gaming related revenues reached an estimated USD 130 billion last year according to market researcher Newzoo's Global Esports Market Report 2019. While the year-on-year growth rate for the video gaming world is expected to remain above 10% for the foreseeable future, the growth drivers may be changing somewhat.

First, as pointed out previously, we note that future growth may be more linked to mobile gaming rather than PC-based gaming. Mobile gaming revenues increased by around 15% YoY in 2018 to USD 63 billion compared to a mere 3% for PC-based gaming (to a total of USD 33 billion). Second, total spending should increase rapidly with growing disposable income. In **Figure 6,** we show that annual gaming revenue per gamer remains low for most of the emerging markets.

Finally, related to this is the mobile gaming market. Spending levels recorded by Newzoo again indicate that emerging markets tend to be ranked low on this measure. India, in particular, appears to be a sizeable gaming end-market with substantial growth potential. The average mobile gamer in India spends around USD 13 per year on mobile games or just 10% of the amount spent by the average mobile gamer in China or the USA (both at USD 112 per year).

Continued growth in video gaming revenues and popularity should also allow esports to generate double-digit growth rates for a number of years to come in our view. Although total revenues for esports are growing fast at close to 27% this year, income from, for example, advertising and media rights remains very low at around USD 180 million and USD 250 million, respectively. To put the growth potential for esports into perspective, we highlight that esport's global media rights of around USD 250 million represent roughly 1% of the more than USD 20 billion spent on media rights for the US sports market. Furthermore, the annual media rights related to broadcasting Premier League football in the UK were sold last year for almost USD 2 billion. This would be eight times the amount spent on esports competitions watched by around 400 million globally.

Overall, we find that the growth outlook for (mobile) video gaming and esports remains very compelling as it relates to our surveyed emerging countries. Regulation is likely to remain an issue going forward, but is more likely to balance rather than stop the growth opportunity in our view.

India and China: Demographic drivers

Anais Boussie, Richard Kersley

With more than 2.7 billion people, India and China have a huge and growing market of consumers. Both markets have benefited from a demographic dividend over the last few decades, but each country is at a different stage – China is already at a demographically more advanced stage, while India remains at an early stage. Yet, with its working-age population soon to surpass that of China, India has better demographics for growth. China will have to rely on improved labor productivity and increased wealth growth to achieve higher consumption. Changes in demographics are important as they have implications for consumer trends. China's aging population will spend differently than India's large working population.

Two demographic giants

It is common knowledge that the most populated country in the world is China with nearly 1.4 billion people. However, with higher fertility rates and strong population growth, India is expected to overtake China's long-held position and become the most populated country in the world in the early 2020s, according to the United Nations World Population Prospects report (October 2018).

Since the mid-1980s, both countries have experienced declining population growth, with the fall more pronounced in China than India. Back in the 1980s, fertility rates fell sharply in China due to the implementation of the "one-child policy." However, as fertility rates declined (too quickly), the Chinese government was forced to redefine its policy in 2015 and replaced it with the "two-child policy." Its effect has so far been muted, likely because it may have been too little too late to significantly reshape fertility trends after decades of restriction. As such, the UN forecasts population growth to turn negative between 2030 and 2035 in China.

Meanwhile, population growth also fell in India around the mid-1980s, although to a much lower extent. India's fertility rate still remains above the replacement rate of 2.1 children per woman, which has helped the country maintain its population growth. As such, India should become the most populated country in the world by 2022, and thus host the largest number of consumers in the world.

Slower population growth and higher life expectancy are reshaping population pyramids. When we divide age structure into three categories (0–14, 15–64 and 65+), we observe that the share of young people in China and India (0–14 years) has declined, while the share of people aged 65+ has increased today relative to 30 years ago.

However, despite these common trends, population pyramids do not tell the same story. India still has a perfect reverse diamond shape population pyramid, while China is rapidly converging toward an inverted one – a shape often seen in developed economies. A rapidly aging population usually leads to many challenges in regard to future age-related expenditures, potential labor force growth, GDP growth and fiscal sustainability, which need to be addressed.

Bottom line: As consumption patterns evolve during the life of an individual, the needs of a young Indian population will be different to those of an aging Chinese population.

Demographics versus income and wealth

Good demographics do not necessarily lead to higher consumption, but higher income and wealth creation do. The main driver of consumption is income, which represents the available amount of money that can be spent on consumption. In the last 35 years, China has made impressive progress – its GDP per capita has multiplied by 22 times. This impressive increase combined with the country's good demographics has propelled China to second place in terms of final consumption worldwide. In India, Gross Domestic Product per capita has "only" multiplied by five times in the last 35 years. Nonetheless, thanks to its good demographics, final consumption is still high. Going forward, even small advances made on the income front should have a significant impact on the country's total final consumption.

Wealth, as defined in the Credit Suisse Global Wealth Report 2018 is the sum of financial wealth and non-financial wealth minus the debt. It can be calculated at an individual or a country aggregate level. In the past 20 years, both countries have seen their share of population suffering from poverty significantly decline and their total wealth increase.

China's enrichment has also been very impressive. According to the Global Wealth Report, wealth per adult in China has multiplied by 11 times in the last 18 years (from USD 4,000 to nearly USD 50,000 today). At an aggregate

Figure 1: India set to become the biggest country in the world in 2022

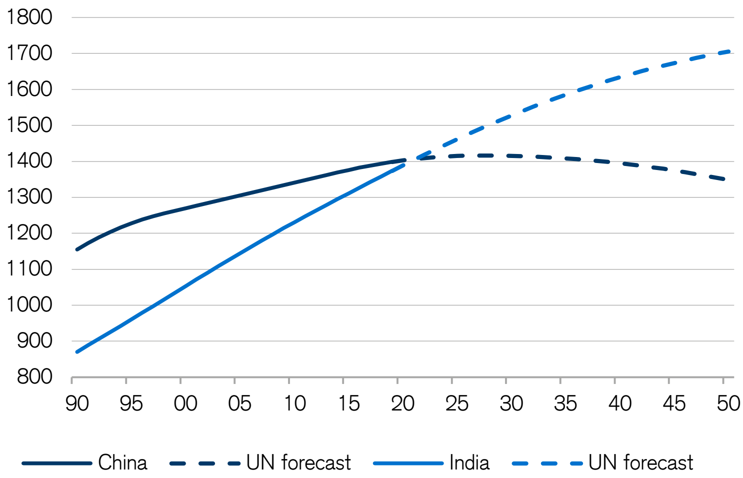


Figure 2: Declining population growth

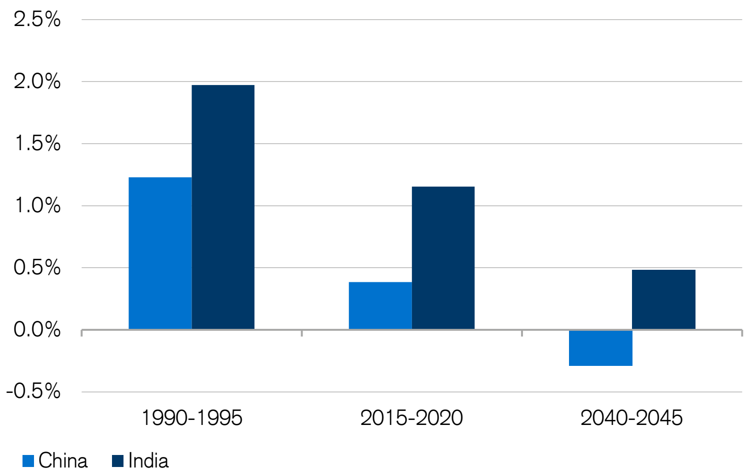


Figure 3: Population distribution being reshaped

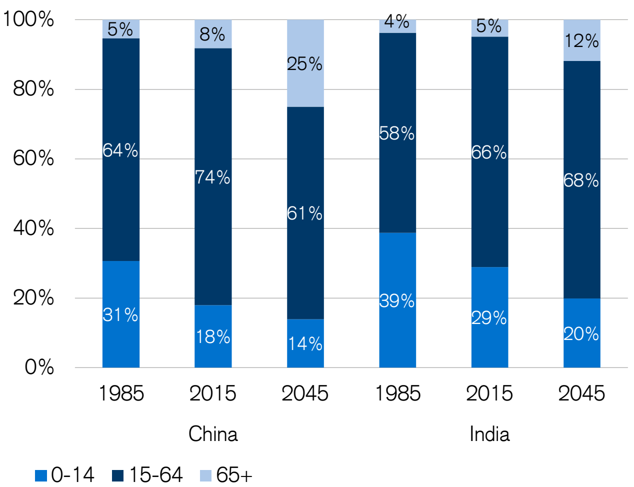
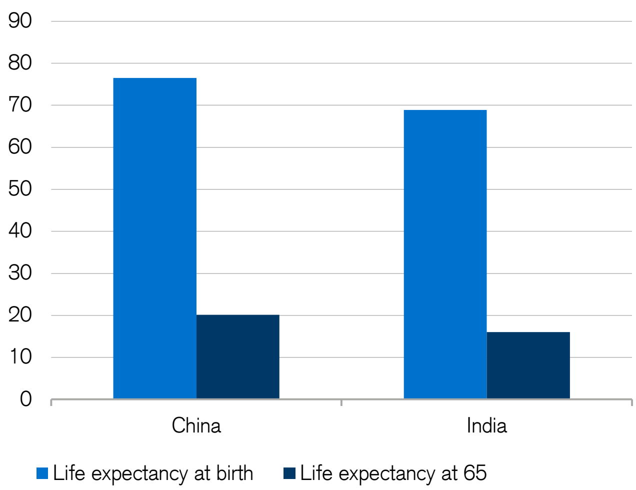


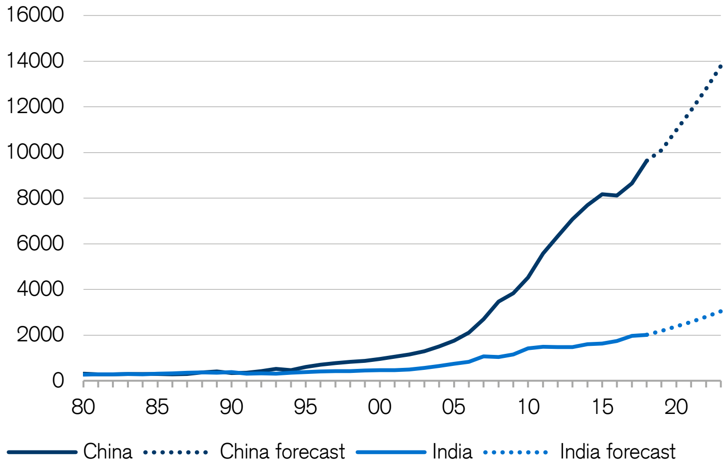
Figure 4: China is older than India



Source Figures 1–4: United Nations World Population Prospects report 2018 level, the increase has been even more striking, rising from USD 3.7 trillion in 2000 to USD 51.9 trillion in 2018. As such, China's wealth and de facto consumption power now take second place after the USA.

India has also benefited from wealth creation, but at a slower pace than China. Wealth per adult has "only" multiplied by four times in 18 years (from USD 1,826 to USD 7,024), while aggregate wealth rose from USD 1 trillion to USD 5.9 trillion in 2018. To put both economies into perspective, India's aggregate wealth today represents only 10% of China's. And, by developed economy standards, a large majority of its population is still poor, with 91% of its population in the USD 0–10,000 wealth bracket. However, given its very large demographic advantage, India ranks 12 in the world in terms of total wealth and de facto consumption power.

Figure 5: Gross domestic product per capita, current prices



Source: International Monetary Fund

China ranks second, benefiting from good demographics and important wealth creation. In the past 18 years, 52% of the population shifted into the USD 10,000-100,000 wealth bracket, while 7% of the population rose into the USD 100,000-1,000,000 bracket.

Interestingly, when we look at the composition of wealth, non-financial wealth represents the biggest share in a Chinese or Indian portfolio. However, it is better proportionally distributed in China where, on average, a person holds 60% of his/her wealth in non-financial assets and 40% in financial assets. Conversely, the average Indian person holds 90% of his/her wealth in non-financial assets and slightly less than 10% in financial assets. Property is usually the first asset people want to acquire if they become wealthier. Since many wealthier people in China have already purchased houses, they are able to diversify their wealth and invest in financial assets, whereas the emerging wealthier population in India will first want to buy property.

Similarly to developed economies, nearly 70% of wealth is held by the top 10% of earners in both China and India – accumulation of wealth is not homogeneous.

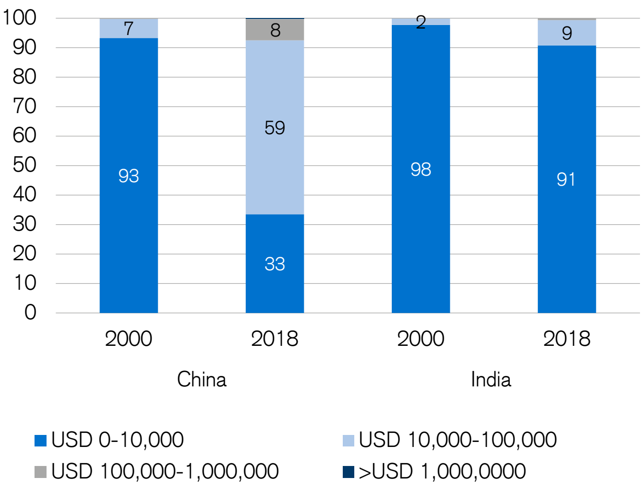
Bottom line: China and India rank second and twelfth, respectively, in terms of total wealth worldwide and de facto consumption power. China has benefitted from both good demographics and wealth creation, while India's population has benefited mainly from its good demographics.

Table 1: Global Wealth Comparisons: China, India and the USA

		2000	2018	2023
China	Wealth per adult in USD	4,292	47,810	67,120
	Median wealth in USD	2,167	16,333	22,930
	GDP per capita in USD	943	9,530	15,213
	Total wealth (net of debt) in USD bn	3,704	51,874	74,493
India	Wealth per adult in USD	1,826	7,024	9,369
	Median wealth in USD	374	1,289	1,719
	GDP per capita in USD	443	2,000	3,234
	Total wealth (net of debt) in USD bn	1,056	5,972	8,767
USA	Wealth per adult in USD	210,712	403,974	460,695
	Median wealth in USD	45,814	61,666	69,918
	GDP per capita in USD	36,334	62,521	72,939
	Total wealth (net of debt) in USD bn	42,320	98,154	117,382

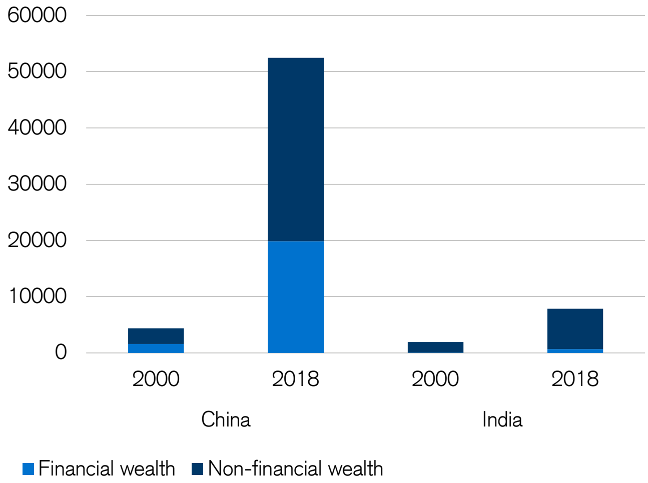
Source. Credit Suisse Global Wealth Report 2018

Figure 6: Wealth pyramid – % of adults in different net wealth brackets



Source: Credit Suisse Emerging Consumer Survey 2019

Figure 7: Breakdown in wealth per adult (USD)



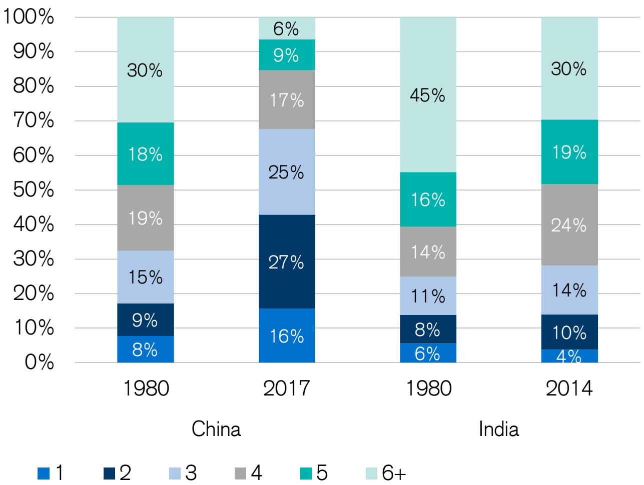
Source: Credit Suisse Global Weatlh Report 2018

Factors affecting wealth creation

The different pace of wealth creation can be explained by demographics and various factors such as education, family composition and urbanization. China, being at a later stage in its demographic transition relative to India, has lower fertility rates, lower population growth and an aging population. As such, all other things being equal, a smaller family in China will usually spend more income per child relative to a family in India, where the same amount of income will need to be divided among more children.

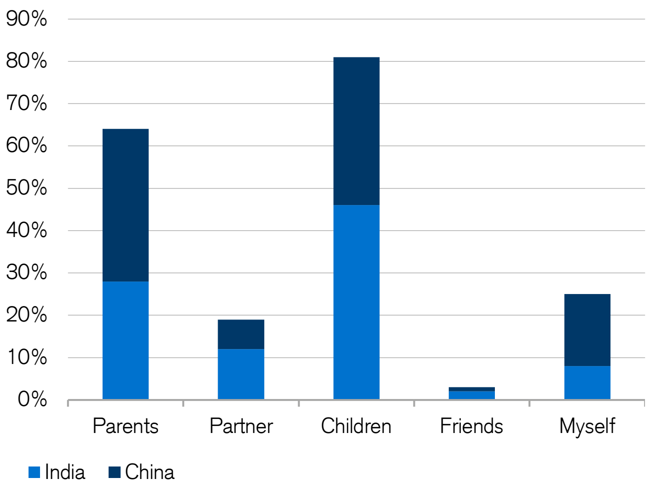
Meanwhile, family structures are also changing. In the past, Indian and Chinese family structures have been dominated by households with five or more people; even more so in India than in China. Today, however, family structures are smaller. It is now more common for couples to have fewer children or no children at all, or for individuals to remain single. As a result, smaller families usually spend more per child, and are likely to have a positive impact on the child's future expected wealth. They are also likely to spend a higher proportion of their income on services and/or better-quality goods. In this respect, our survey asks the question – if you had more money who would you spend it on? In India, most people answer children followed by parents. In China, the first category is parents and then children. Interestingly, 17% of people in China answer that they would spend more on themselves. These differences reflect people's priorities and attitudes.

Figure 8: Household structure (no. of people)



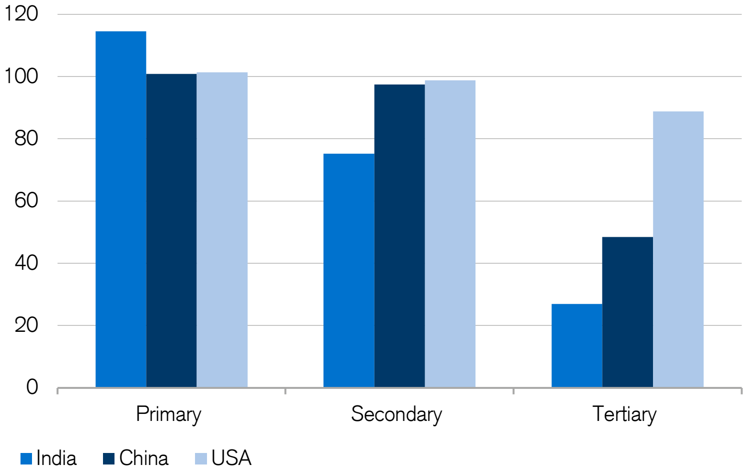
Source: Credit Suisse, Euromonitor, NBS

Figure 9: If you had more money, who are you likely to spend it on?



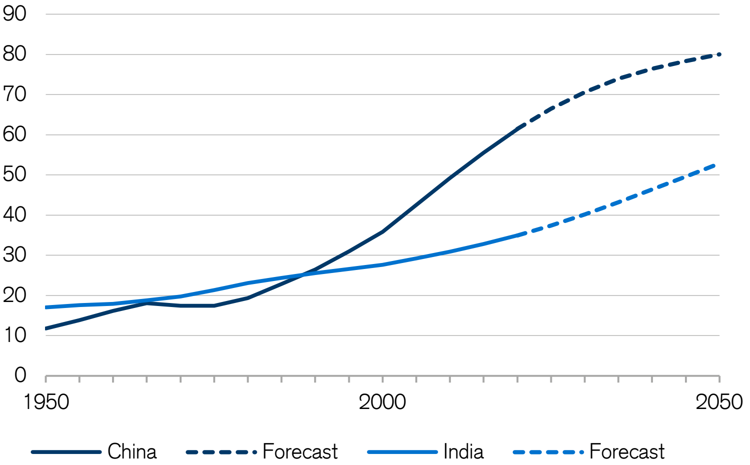
Source: Credit Suisse Emerging Consumer Survey 2019

Figure 10: School enrolment (%)*



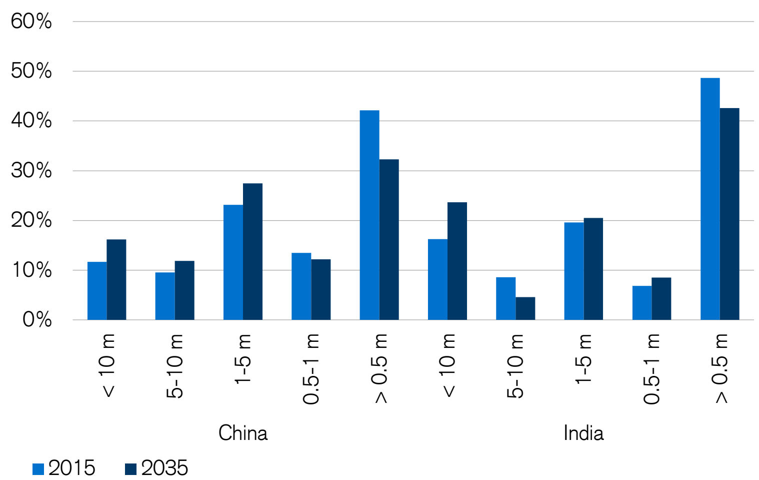
*Ratio of total enrolment to the population of the age group that officially corresponds to the level of education shown. Source: World Bank

Figure 11: Urbanization rate (%)*



* Ratio of people living in urban vs. rural areas.
Source: United Nations World Population Prospects report 2018

Figure 12: Population distribution by city size



Source: United Nations World Population Prospects report 2018

On the education front, China also fares better than India in almost all gross enrolment ratios, expressed as a percentage of the population in the official age group corresponding to their level of education. Indeed, both secondary and tertiary education in China have much higher enrolment rates, leading to a better-educated young population. And, although India has a higher primary gross enrolment ratio than China, it lags behind in all other categories. The education gap with developed countries also remains high for both countries and will require a significant amount of investment, particularly in India, to close this gap and for good demographics to be transformed into growth.

Finally, urbanization is also one of the most important drivers of wealth and consumption growth. Indeed, we consistently find in the survey superior optimism and future income expectations in urban versus rural consumers (see Appendix 2).

In terms of urbanization, China overtook India in the late 1990s and has seen a rapid urbanization growth rate ever since. As of 2015, 55% of China's population live in urban areas and this figure is expected to increase to 80% by 2050 (according to the UN). As a result, a large urban middle class with higher purchasing power has emerged. According to China's National Bureau of Statistics, disposable income per capita in urban areas is more than double the amount in rural areas (USD 5,849 versus USD 2,178). China's fast-paced urbanization accelerated due to significant investments in both real estate and infrastructure. This was made possible by a very accommodative monetary policy in the past decades.

Perhaps more surprisingly, the pattern of urbanization is quite different in India. Today, 33% of the population live in urban areas, and this number will "only" rise to 50% by 2050 (lower than in China today). In India, the urban population lives primarily (16%) in three megacities (Delhi, Kolkata and Mumbai), while, in China, only 5% of the urban population resides in two megacities (Shanghai and Beijing). Intermediate cities are not that common in India. As such, the prospect of living in megacities that already have extremely high population density, insufficient infrastructures and limited wealth upon arrival, could deter rural inhabitants from moving into large urban jungles.

Bottom line: China is more advanced than India when it comes to good demographics, education, family composition and urbanization. We expect China to retain a higher purchasing power than India in the next decade.

Table 2: Summary of demographic differences (latest data)

	China	India
Population	1.4 billion	1.3 billion
Population growth	0.4%	1.2%
Age structure	Shifting rapidly toward the older age group.	The distribution is also shifting, but much slower. The share of young people remains high.
Life expectation	76.5 years	68.9 years
Wealth	Wealth per adult has increased 11-fold in the past 20 years. The country now ranks second in the world in terms of total wealth.	Wealth per adult has increased fourfold in the past 20 years. But the country still faces significant inequality issues.
Education	Good primary and secondary enrolment ratio. Still lagging behind developed countries in tertiary education.	Good primary enrolment ratio.
Urbanization	55% to rise to 80% by 2050.	32.8% to rise to 55% by 2050, although smaller urban areas will likely see the fastest growth.

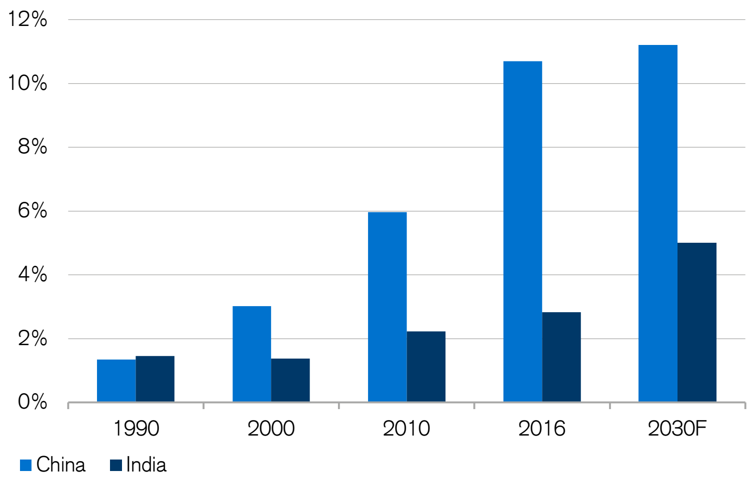
Source: Credit Suisse, GWR, UN, World Bank

Table 3: Growth potential in spending categories split by GDP per capita

		Growth potential		
GDP per capita (2018E)	**Country**	**High**	**Medium**	**Low**
Below USD 2,000		Cereals	Apparel	Beverages
		Two-wheelers	Meat	**Healthcare**
				Education
				Consumer credit
				Cars
				PCs/laptops
				Smartphones
				Beauty products
				Tourism
USD 2,000 - 5,000	**India**	Apparel	Beverages	Healthcare
		Meat	Cars	Consumer credit
			Cereals	Tourism
			PCs	
			Smartphones	
			Education	
USD 5,000 - 10,000		Beverages	Meat	Cereals
		Cars	Apparel	Two-wheelers
		PCs	**Healthcare**	
		Smartphones	Consumer credit	
		Beauty products	Tourism	
USD 10,000 - 25,000	**China**	Education	Cars	Cereals
		Healthcare	PCs	Two-wheelers
		Consumer credit	Smartphones	Meat
		Beauty products	Beverages	Apparel
		Tourism		

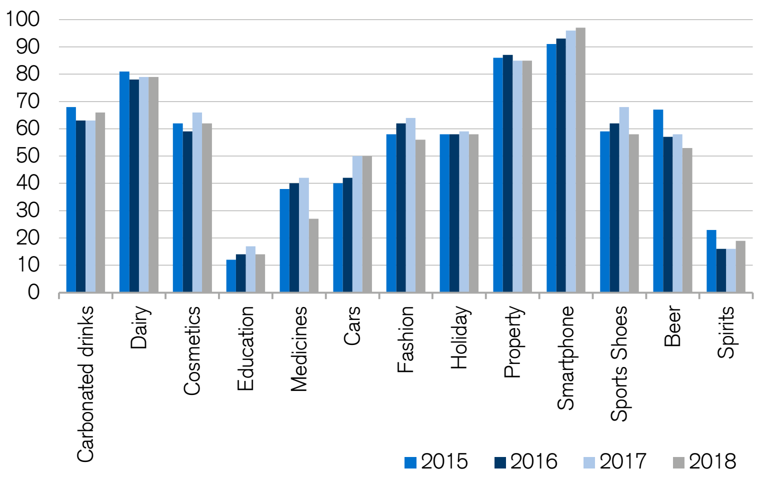
Source: Credit Suisse Emerging Consumer Survey 2015, IMF, 2018 GDP per capita

Figure 13: Share of global final consumption (%)



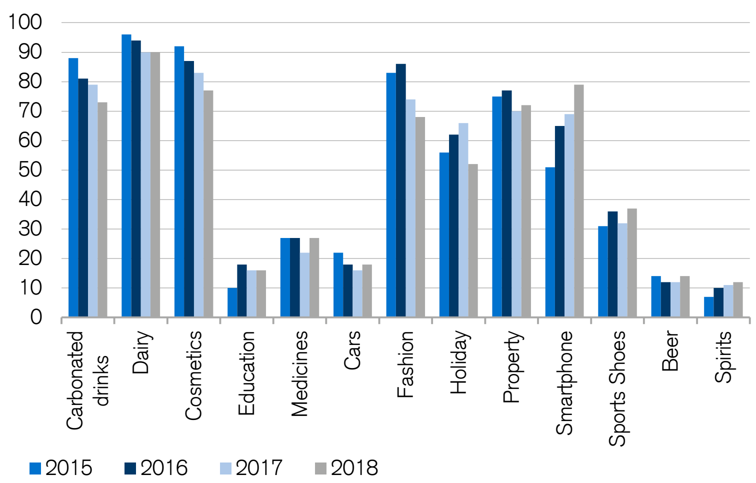
Source: World Bank

Figure 14: Consumer purchases in China in the last 3–12 months



Source: Credit Suisse Emerging Consumer Survey 2019

Figure 15: Consumer purchases in India in the last 3–12 months



Source: Credit Suisse Emerging Consumer Survey 2019

Two consumption giants

Drawing the above considerations together, as both the Chinese and Indian economies mature and continue benefiting from advantageous demographics, we expect:

1. **Final consumption to continue to increase:** China and India together represent around 14% of the world total final consumption in 2016, up from 11% since 1990. China is the second-biggest final consumption market in the world (after the USA), benefiting from both economic and demographic growth. India's share is smaller, but its share should rise as total wealth and income increase on the back of supportive demographics.
2. **Patterns of consumption to evolve:** Although most of both Chinese and Indians' income is still spent on basic necessities such as food and non-alcoholic beverages, the pro-rata allocated to it has nearly halved over the past thirty years. This mix shift will continue as ever wealthier and better educated consumers will want to consume a larger proportion of non-essential goods such as durables and consumer services.

The discretionary spending roadmap

Undoubtedly, as patterns of consumption evolve, some areas of consumption will fare better than others. The road map we have set out in prior surveys and tracked is represented in **Table 3** How substantial the shift is within the consumer mix will be dictated by the trend in income progression. The grid in **Table 3** represents the categories of spending and how strong their growth should be in relative terms. While presented in a qualitative fashion here, the relative positions of the categories are a reflection of the growth rates of spending seen in developed economies as consumers saw their incomes rise (see Emerging Consumer Survey 2015).

The table shows the shift to faster growth in discretionary items as income rises. In terms of average GDP per capita levels, China and India are in different brackets in the table. Hence the discretionary shift one would expect in India should manifest itself in lower-ticket items until income levels rise further. In China, higher income growth, an emerging middle class, more ultra-rich individuals together with smaller households should underpin the consumption of discretionary items.

"Trading up" in category spending is not reflected in the table (i.e. increasing quality within the spending categories and a greater focus on brands among the products concerned). This effective "premiumization" is one subject our India analysts have focused on in terms of the consumer behavior they have been witnessing in staple items and visible in the survey. If this is the theory, our survey provides the practice and the results do resonate. If we look at the mix of spending by our survey respondents as a proportion of total spending at end-2018, the discretionary mix is far more pronounced among China's consumers as **Figure 14** shows. **Figures 15 and 16** show historical spending by category at a more granular level, which again shows more of a skew toward staple products where India is concerned. None of this of course should be a surprise.

Healthcare and the consumer

Table 3 highlights in bold the increasing prominence of healthcare. It moves from top right in the matrix to bottom left with rising GDP per capita. Our framework would suggest China being a focus here and we are indeed witnessing it in the real world given that 1) GDP per capita is high, 2) a large part of its population lives in urban areas, 3) it has a rapidly aging population as we have highlighted, which requires age-related health services, and 4) the Chinese government supports part of the healthcare system. How this plays out in the survey is interesting though as we don't find it actually being a notably larger part of the Chinese consumer's spending relative to the Indian consumer. It represents a similar proportion of each consumer's spending, which is all the more surprising given the differing level of income. The amount spent on education by the Chinese consumer is three times that spent on healthcare.

This is most likely due to the nature of healthcare provision. Our survey shows that 71% of Chinese participants have access to free or partially-free health care compared to 20% in India. Given China's health system is heavily subsidized by the state, only 39% of survey respondents say they have to pay the full cost of their medicine. The large majority (60%) say they only pay part of the cost. Conversely, in India 74% of respondents paid the full cost, which might incentivize Indians to increase precautionary savings in the medium to long term, when healthcare will rank higher on their priority list.

Contrasts within and between the countries

There is of course a huge variation in the nature of the consumers within these populous economies as much as between them, not least in income and wealth terms. Specifically, there is considerable inequality where income and wealth are concerned. An examination of the country charts later in this report illustrates how skewed optimism is to the highest income earners, particularly in China (**Figure 17**), but also in India. This is in part a reflection of the optimism of urban versus rural consumers but not that alone.

Figure 16: Share of expenditure across survey countries, including and excluding savings (%)

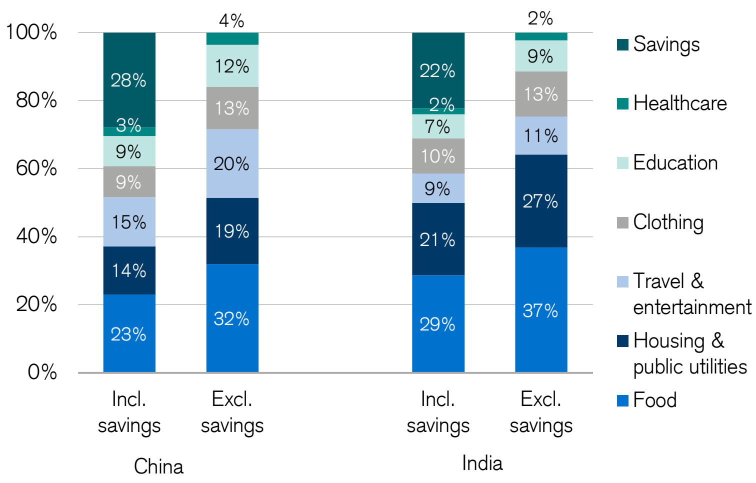


Figure 17: China's personal finances over the next six months

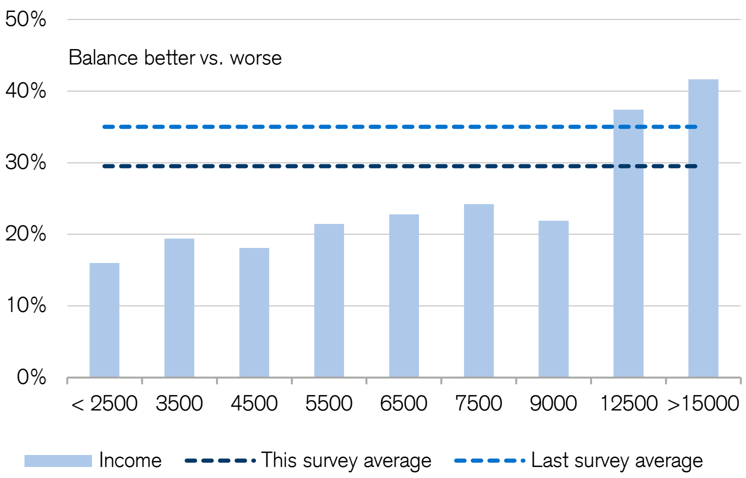
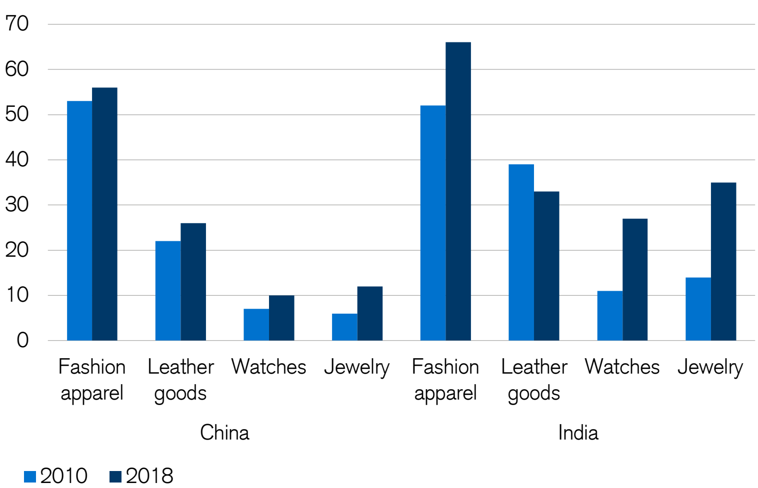
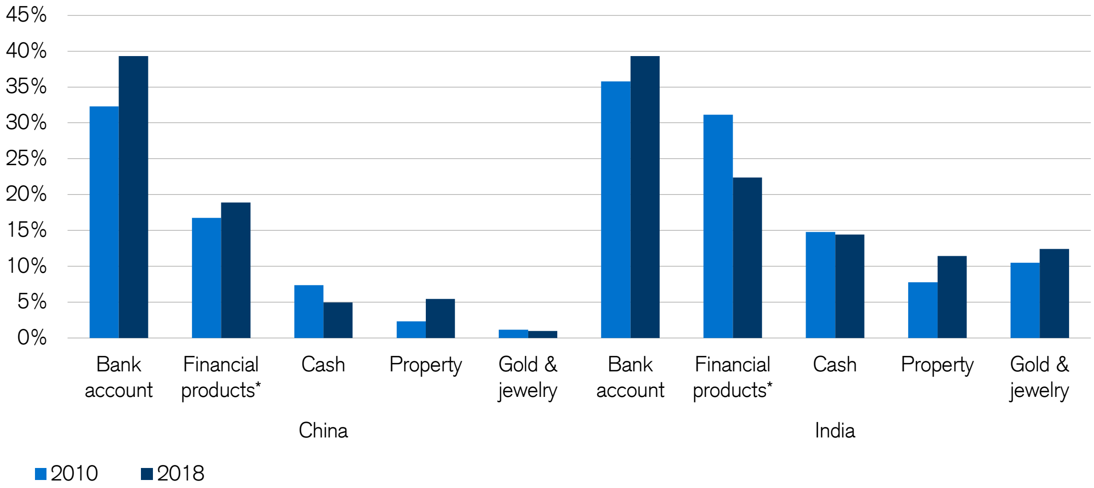


Figure 18: Are you planning to purchase any goods from these categories in next 12 months?



Source Figures 16–18: Credit Suisse Emerging Consumer Survey 2019

Figure 19: What savings or investment channels, if any does your household use to save money?



*Life insurance, stock market, mutual fund, Treasury bill. Source: Credit Suisse Emerging Consumer Survey 2019

It means we should expect to see significant rates of growth in spending and sizeable end-markets for consumer companies across a wide range of categories in **Table 3**, given the huge populations in both India and China, despite the low levels of GDP per capita on average in the former. The acceleration of luxury spending shown in our survey in a poor country such as India reflects this fact and the increasing emergence of ultra-rich individuals. An added demographic consideration relates to who are the holders of wealth or purchasing power. As we discussed in the previous chapter, this spending capacity rests with the young which arguably amplifies discretionary spending intentions.

Banking the emerging saver

Table 3 suggests that consumer credit is an area that typically develops as GDP per capita rises. This has indeed been the experience of these countries and emerging economies more generally, but with internet connectivity and e-commerce providing a different dimension to the nature of its development than our basic roadmap might have envisaged as the rapid growth in e-payments is a case in point.

As population ages and income increases, we would expect people to start displaying more financial sophistication in their savings as well as spending, and specifically diversifying their savings toward banks and financial products. Both of these countries do have high saving rates. Our survey shows that, in the past eight years, more people in both China and India have put their savings into bank accounts, which has become the biggest savings channel in both countries. In contrast, the proportion of people saying they hold savings in cash has declined.

Financial products are also gaining traction, notably in China, where the country's aging profile and higher wealth levels provide an impetus. Today, more Chinese people are now putting their savings into insurance-related products. Direct stock-market and mutual fund investment has also increased. We expect this pattern of diversification to continue so that, given the amount of wealth accumulation we highlighted earlier, there is a powerful related investment theme. In India, progress on this front is slower – not only is the country behind in terms of demographic transition, but the financial crisis has left its mark. Our survey still shows that gold and jewelry remain a very important savings channel in India for cultural reasons. We saw tentative signs of that trend declining last year, but the corresponding flow into financial products has since reversed. However, we believe the long-term trend will be a rebalancing of savings to financial products. The proportion of wealth held in financials is only 9% in India.

Concluding remarks

The vicissitudes of the economic cycle will impact spending in any given year in any economy – emerging or developed. Indeed, the pattern that has emerged in this year's survey is one where adverse cyclical factors have negatively affected discretionary spending in countries such as India and China. However, the powerful macro-demographic drivers are such that the cycle is operating within a structural trend of growing wealth and income, and a resultant shift in the spending mix to discretionary categories. While China's consumers should continue to enjoy superior spending power, a powerful dynamic in India will come from a more youthful consumer. Rapid aggregate wealth accumulation should continue to shape more sophisticated savers as well as consumers.

Emerging country themes

Here we take an in-depth look at Latin America, India, China and Indonesia. The country themes help to contextualize the survey readings and provide more insight into consumer spending patterns and their related drivers. There are common drivers of change that shape consumer behavior such as the increasing rate of internet and smartphone penetration. We look at the upswing in e-commerce in Latin America, changing consumer behavior of young consumers in India, consumer polarization in China, and the increasing focus on beauty and big-ticket purchases in Indonesia. Finally, we include a special section on Thailand describing an inflection point in the country's consumption patterns.

Latin America

Antonio Gonzalez Anaya and Victor Saragiotto

This year's Emerging Consumer Survey paints a brighter picture for the Latin American consumer as Brazil now ranks second, up from fourth, and Mexico ranks fourth, up from sixth last year. The macroeconomic backdrop for the region provides compelling support for a more bullish consumer, especially in the case of Brazil, in our view. Inflation in Brazil is under control at around 4% for both 2019 and 2020, which allows for relatively low interest rates. Combined with unemployment set to fall from 13.7% in 2017 to 11.3% this year and 10.6% in 2020, we believe that average real wages should increase by 4% this year. Together with stronger bank lending, this provides support for growth in consumer spending this year of 2.9%.

Notwithstanding the prevailing high levels of consumer confidence post-election in Mexico, there are macroeconomic challenges or risks. On the one hand, several macro numbers remain on the strong side: consumer confidence is booming, up 42% year-on-year in February, the latest PMI readings still indicate an overall expansion (52.6 for February), and nominal wages have grown 5.2% year-on-year (against 4.4% inflation). However, at the micro level of Mexican corporates, we have seen some signs of deceleration amid higher macro uncertainty and lower business confidence amid more cyclical sectors. Longer-term, the potential for worsening public finances and a greater reliance on external funding challenges the long-term growth outlook. It inherently makes Mexico a more fragile economy than it has been in the past, which raises concerns over the stability of medium-term consumer growth. We expect GDP growth of just 0.9% this year compared to an estimated 2.1% in 2018. One of the themes that we believe should, almost irrespective of the macro backdrop, provide structural growth across Latin America is that of online retail. Our analysts explore some of the related dynamics below.

E-commerce – transforming the retail landscape in the region

E-commerce has become one of the most prevalent themes across the region. With over 600 million inhabitants and over 360 million internet users, Latin America offers an attractive growth opportunity in our view. In spite of this sizeable addressable market, the ratio of online buyers to total internet users remains low at 40%–60% of users, compared to over 70% in China or India, and 70%–90% in developed markets. E-commerce makes up a small percentage of total retail sales across the region (3%–4%), but a strong compound annual growth rate (CAGR) of nearly 20% (in USD terms) is forecast for the 2015–20 period. Furthermore, with a large unbanked or underbanked population (i.e. a "bankarized"[1] population ranging from levels as low as 39% in Mexico to 68% in Brazil), we also see a significant opportunity for broader online financial services, including payment processing, gateway services, mobile payments and credit. Mercado Libre is vying for leadership in every major market in the region, while Amazon has built up a relevant presence in Mexico, but is at an earlier stage in Brazil. There are several local incumbent players, including Walmex and Liverpool in Mexico, Falabella and Exito in the Andean region, and B2W, Magazine Luiza, and Via Varejo in Brazil.

Our survey reveals that the main reason for choosing e-commerce websites is still trustworthiness in Mexico (28% of respondents), while low cost is the main decision variable in Brazil (40% of respondents). We think this highlights that the Brazilian market is at a more developed stage than Mexico's: the "trustworthiness" barrier is behind us in the case of Brazil, and e-commerce companies are aggressively moving toward offering the lowest possible cost (and fastest possible delivery) as a "customer acquisition" strategy. In our view, the main reasons why Mexico is still a few steps behind Brazil in terms of e-commerce maturity relate mainly to (1) the process of increasing bankarization of the Brazilian population, which now stands at roughly 70%; (2) "democratization" of payment methods such as credit cards, responsible for around 70% of total purchases on the internet; (3) an increasing number of people accessing the internet, which is now more than 165 million people, or around 80% of Brazil's population; and (5) the development of a "digital culture" in Brazil. These reasons help explain why the Brazilian companies are currently more focused on logistics (i.e. freight costs and delivery times).

Mercado Libre leads in usage in Mexico

In terms of usage, our survey reveals that 48% of respondents in Mexico reported using Amazon's platform over the last 12 months, followed by Mercado Libre (46% of respondents). Meanwhile "incumbents" Walmex and Liverpool were used over the last 12 months by 21% and 18% of respondents in our sample, respectively. Interestingly, when we break down our survey between rural versus urban consumers, Walmex has a small bias toward urban users (a four-percentage-point skew toward urban), while Liverpool has larger urban bias (seven percentage points) – we think a larger urban skew (Liverpool) leaves an "incumbent" more exposed to competition from "pure" e-commerce players (Mercado Libre and Amazon) in the short term. The reason for this is that pure e-commerce players have started offering their services in the large urban centers and are expected to only gradually extend towards smaller cities/rural areas.

In terms of age profile, we highlight an interesting trend: users of pure e-commerce websites seem to be in a younger age bracket compared to users of the websites of brick-and-mortar companies: for example, in the case of Amazon, consumers in the 18–29 age bracket have three percentage points higher usage than the average on our survey; meanwhile, users in the 46–55 age bracket have a 15 percentage point higher-than-average usage of Walmex' websites (or three percentage points higher-than-average usage in the same age bracket for brick-and-mortar player, Liverpool).

Figure 1: Which are the most used e-commerce websites in Mexico?

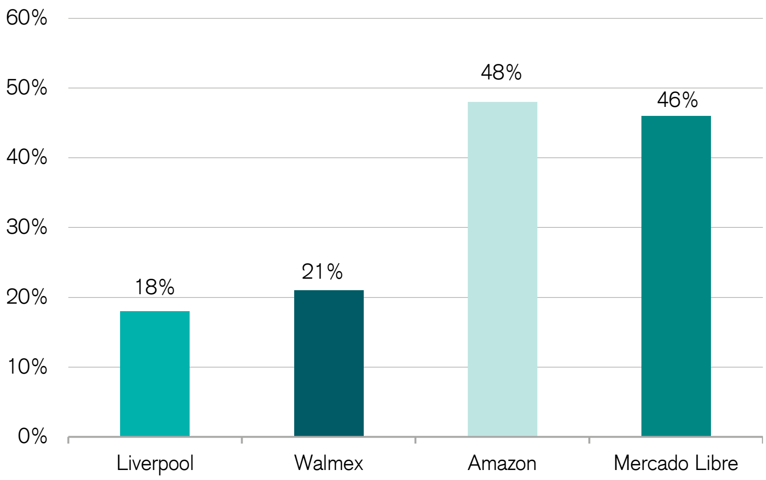
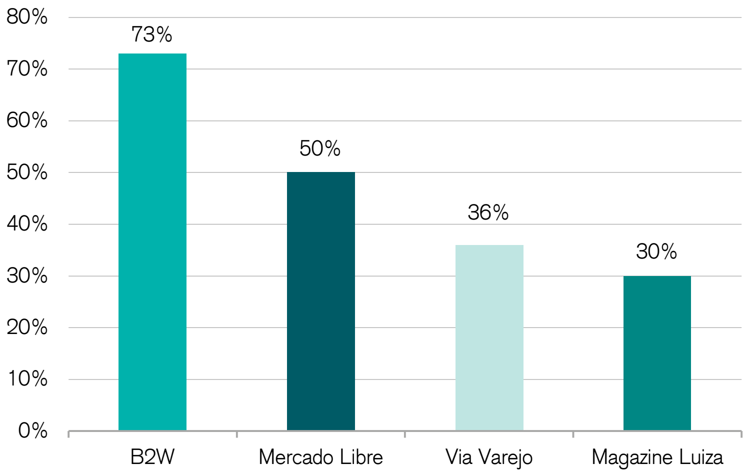


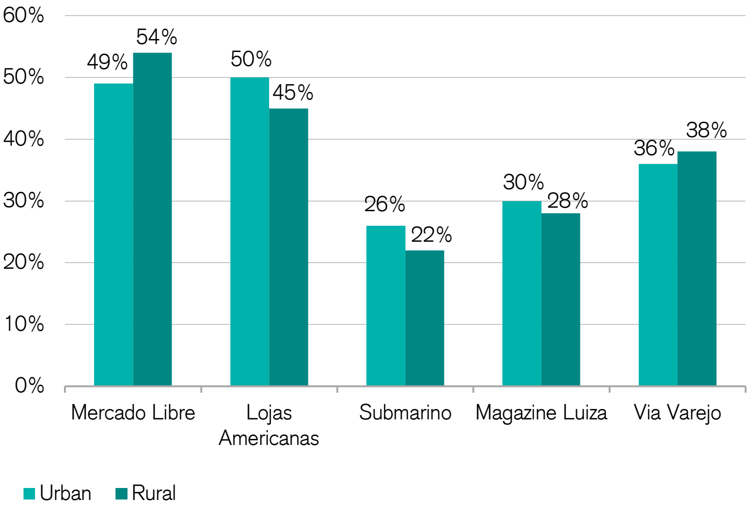
Figure 2: Which are the most used e-commerce websites in Brazil?



Source Figures 1–2: Credit Suisse Emerging Consumer Survey 2019

1. Bankarization refers to the extent of the population's access to services provided by the financial sector

Figure 3: Ecommerce usage in Brazil by type of region



Source: Credit Suisse Emerging Consumer Survey 2019

Figure 4: Main logistics costs in Brazilian e-commerce market

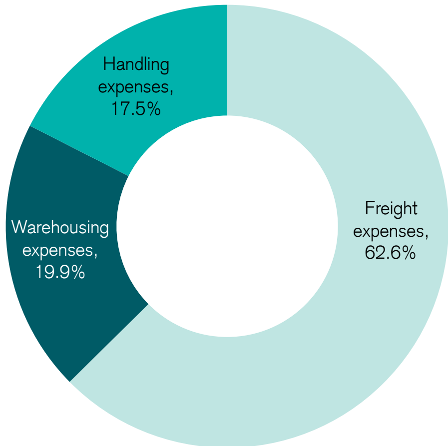
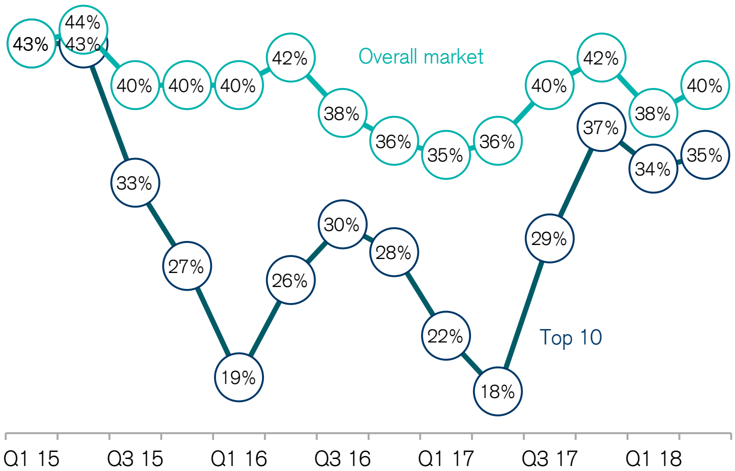


Figure 5: Free shipping in Brazilian e-commerce market



*Largest ten companies in the Brazilian e-commerce market in terms of revenue

Source: Figures 4–5: Ebit 2018

Brazil seems to be more competitive

In the case of Brazil, the largest usage across our sample is reported for the sum of the websites of player B2W (Americanas.com and Submarino, with a combined usage of 73% of our sample); followed by Mercado Libre (50% of our sample); the websites from Via Varejo (Casas Bahia and Pontofrio) were used by 36% of our sample; and Magazine Luiza was used over the last 12 months by 30% of our sample.

Interestingly, when we take a look at the year-on-year usage for the Brazilian market, B2W's website has been declining in usage, down 16 percentage points over the last two years. Mercado Libre had a large spike in usage in 2017 (+8 percentage points), but plateaued last year (we believe the company decided to moderate its growth pace, particularly in low-ticket items, as a result of higher rates charged from local carrier Correios). Magazine Luiza showed a clear upward trend in 2017 and 2018, which we believe is explained not only by a more favorable competitive environment (mainly in the hardline and electronics categories, given the ongoing turnaround process of large players, namely Maquina de Vendas and Via Varejo), but also by the consolidation of a strong digital organizational culture, leading to top-notch execution when it comes to innovation and technology. Nevertheless, it is worth mentioning that Magazine Luiza still has an overall small base of respondents that report using its website, compared to the other companies in the market.

In terms of rural versus urban, unlike in Mexico, we do not see a large urban skew for the brick-and-mortar businesses in Brazil. Mercado Libre shows a small rural skew (five percentage points), while B2W shows a moderate 4–5 percentage point skew toward urban locations. Via Varejo and Magazine Luiza do not seem to have a significant difference between urban and rural respondents. In Brazil, the slight skew toward urban areas can still be explained by logistics bottlenecks, in our view. All the main e-commerce companies have been making huge efforts to be as best positioned as possible to become one-stop-shop platforms, leveraging both physical presence and in-house logistics (since the local carrier, the state-owned Correios, has not been proven to have the best balance between freight costs, customer experience and delivery times). This move consists of not only continuously improving customer experience and hence increasing customer loyalty, but also providing the best conditions and groundwork for sellers in order to increase assortment, leverage additional traffic, increase relevance, and thus be more competitive.

Just as deficient logistics in Brazil represent a bottleneck, they are also an opportunity. A few companies in the retail sector have started to invest in their own logistics businesses to serve customers who continuously seek greater convenience, prompt delivery and good service. With regard to specific companies, B2W is least dependent on third-party companies for deliveries. The company acquired three shipping companies comprising "B2W Entrega" (which delivers nearly 100% of 1P shipments and around 65% of 3P shipments). Magazine Luiza is also investing in logistics and is currently able to deliver medium and large orders through "Malha Luiza," a chain with more than 1.7k micro shipping companies, while small orders are delivered through Logbee, a recently acquired company that operates like Uber. Lastly, Via Varejo has also evolved, following its merger of online and offline operations. VV Lojg is now responsible for unification of route planning.

Finally, in terms of age profile, Magazine Luiza seems to have a quite relevant skew toward younger consumers (consumers in the 30–45 age bracket report around ten percentage points higher usage, compared to consumers 46 years old and higher), while the rest of the companies do not seem to have an obvious age skew. This could be also an indication of how Magazine Luiza is (successfully) trying to position itself amid the consolidation of the Brazilian e-commerce market, looking at the value of the longer lifetime of its client base, which seems to be the right strategic approach, in our view.

India

Arnab Mitra

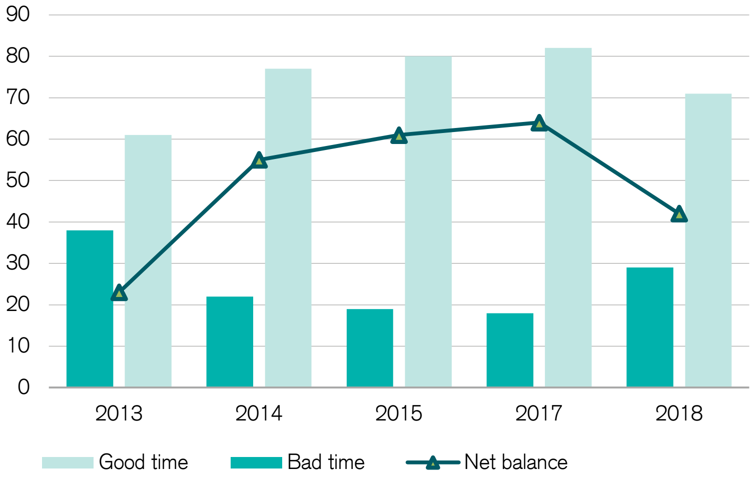
Structural drivers intact, but a cyclical slowdown in discretionary consumption

We focus on three striking consumer themes in India, which are corroborated by both our survey as well as other data sources. The first theme is structural and long term as it looks at changing consumer behavior of young respondents due to the growth of internet penetration. The second theme is cyclical, relating to the sharp slowdown in large ticket purchases in India. The third trend focuses on the reversal of the flow of household saving from equities into gold.

Increased smartphone and internet

Internet access in India has seen a significant increase over past years, with penetration levels rising from about 30% in 2013 to more than 80% in 2018. The surge in internet access is largely driven by the increased penetration of smartphones and expansion in the mobile data market. As a result of falling smartphone prices, we see the greatest increase in smartphone ownership among the lower- to middle-income groups. At the same time, there has been a step-wise increase in competitive intensity in the Indian telecom market with the aggressive entry of Reliance Jio, which caused mobile data prices to fall even further. As we highlighted in our demographic analysis earlier,

Figure 6: Sharp drop in willingness to make big-ticket purchases in India



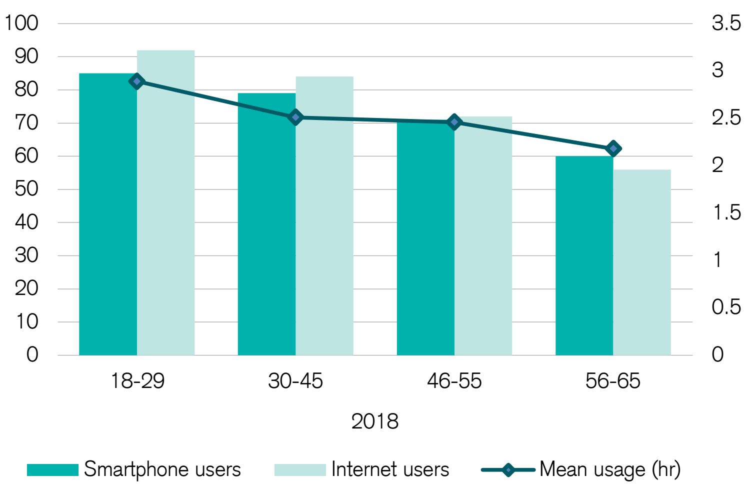
*2016 data has been excluded due to unique circumstances

Source: Credit Suisse Emerging Consumer Survey 2019

Figure 7: Passenger vehicle volume growth has seen a major deceleration in the past six months in India

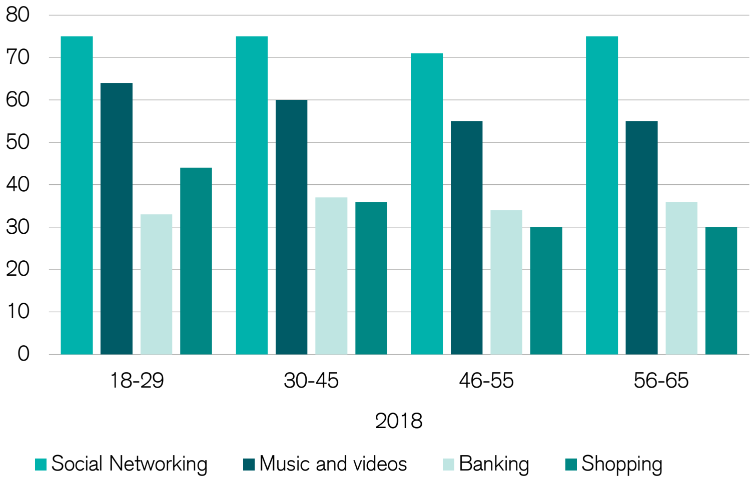
Source: Society of Indian Automobile Manufacturers

Figure 8: Smartphone and internet usage higher among younger respondents in India



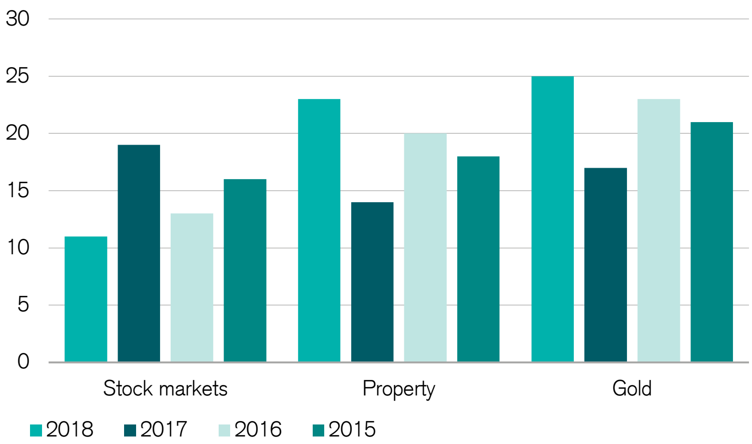
Source: Credit Suisse Emerging Consumer Survey 2019

Figure 9: Entertainment and social networking high across all ages; higher propensity of young consumers to shop online



Source: Credit Suisse Emerging Consumer Survey 2019

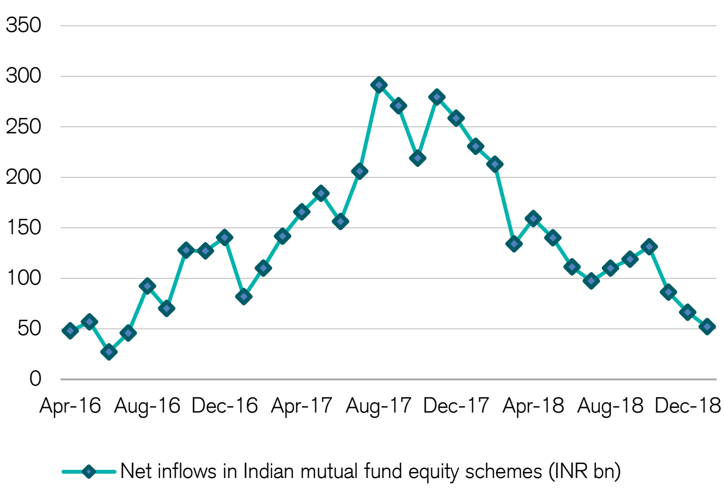
Figure 10: Increased investment of household savings into gold while investments in the stock market have decreased



*Stock markets include equities and mutual funds

Source: Credit Suisse Emerging Consumer Survey 2019

Figure 11: Mutual fund equity flows have dropped in recent months



Source: Centre for monitoring Indian economy

India is one of the youngest countries in the world, with a median age of 27 years. Given India's demographic profile, it is important to focus on the emerging trends among the younger generation. A higher proportion of India's youth uses smartphones and has internet access compared to other age groups. Furthermore, the young consumer typically spends more time online, with an average daily time of about 2.8 hours. Social networking and entertainment are the most popular activities online across age groups, which could have a major impact on how these consumers view media and how brands are now trying to reach out to them by increasing their proportion of digital marketing spending.

Younger consumers are more likely to shop online compared to any other age group. This trend continues to drive strong growth of the e-commerce business in India. There are global as well as domestic companies trying to gain share among the young "tech savvy" Indian consumers. Over the past year, there has been some consolidation toward the major players with smaller players losing share. Amazon India has come up as the most preferred platform in 2018, reversing the trend over the past couple of years. Walmart-backed Flipkart is coming a close second. Trustworthiness and reliability seem to be the most important parameters that consumers look for when selecting their online shopping platforms. While low cost is an equally important driver for older consumers, it appears to be much less important to the young consumer.

Deceleration in big-ticket consumption

The second trend we see at work in India is the slowdown in big-ticket consumption. It is most clearly visible in auto sales data. Volume growth in passenger vehicles, which was 8% in FY 2018, has decreased to around 2% in the past six months. While we do not have comprehensive industry level data on white goods, many companies operating in the sector have spoken about a slowdown in growth. The deceleration in big-ticket consumption is also supported by our survey readings. There is a drop in the proportion of respondents who feel this is a good time to make a large-ticket purchase from 32% in 2017 to 19% in 2018. Also the net balance (the gap between respondents with a positive and a negative view on large-ticket purchases) is now the lowest since 2013, excluding 2016, which was a unique situation as the survey happened in the midst of demonetization in India.

The data specific to car purchases in the survey is even more striking. The net balance is negative and at its lowest in four years. In our view, the main reason for the weaker big-ticket consumption is that the tailwinds from the pay commission implementation are now behind us. The total incremental payout of around INR 3.4 trillion, which took place in FY 2016–18, led to a large pay hike for government employees, which constitute around 25 million families. The strong boost to large-ticket consumption has now been gradually phased out.

Increasing equity market participation?
A strong trend in 2014–17 was the increasing share of households investing in equities and mutual funds. At the same time, the demand for gold, which typically was a major investment vehicle for Indian households, declined. Similarly, we also saw a decrease in the investment of savings in property. Our survey readings, however, indicate a reversal of this trend. The proportion of households investing in the stock market either directly or through mutual funds dropped sharply from 19% in 2017 to 11% in 2018, and has been at its lowest level since 2014. This has been accompanied by a reversal in the trend of investments into gold and property. The proportion of respondents investing into gold increased from 17% to 25%, which is the highest level since 2014. Investment into property rose from 14% to 23%, which is again the highest level since 2014. Interestingly, 8% of respondents said they had no extra money for savings.

This change may not be structural, in our view, but more cyclical. The Indian stock market benchmark returns for 2018 were 7%, compared to a CAGR of 12.5% in the period from 2014 to 2017, while gold prices in local currency went up 7.5% in 2018 after a few years of stagnant prices. If it continues, this trend could have an impact on equity markets as the largest source of inflows in the past three years have been from domestic household savings.

China
Tony Wang

Consumer polarization underway
2018 turned out to be a challenging year for the Chinese consumer. The weaker Chinese economy has clearly had an impact on household income, as respondents are less confident about personal finances, income growth and major purchases compared with the results of the 2017 survey. The net number of respondents expecting an improvement in the state of their personal finances in the next six months has decreased significantly by five percentage points to 30% in 2018, after a strong recovery in 2017. The proportion of respondents indicating that now is a good time to make a major purchase was also down one percentage point to 6% year-on-year, still below 9% in 2014. This has made Chinese consumers less willing to spend across all categories, especially on large-ticket items such as cars and property, suggesting that a swift rebound in the industry data we have observed is unlikely.

There have been many discussions throughout 2018 about the so-called "consumption downgrade" in China. The rapid growth of Pinduoduo (even in top-tier cities), which is an e-commerce platform that enables consumers to buy small brands at a low price if they invite friends or relatives to buy together, was regarded as the evidence of a consumption downgrade. However, we believe this is only one part of the fast-evolving trends in Chinese consumption. While consumers are now placing greater focus on "good value for money" for certain products that lack innovation or upgrading, they are still willing to pay a relative premium for experience-related products and services (i.e. providing good feelings or positive experiences). We believe "consumption polarization" would be a more accurate term to describe the changing trends in China's consumer sector.

Figure 12: Income expectations by respondents in China declined in 2018 after a recovery in 2017

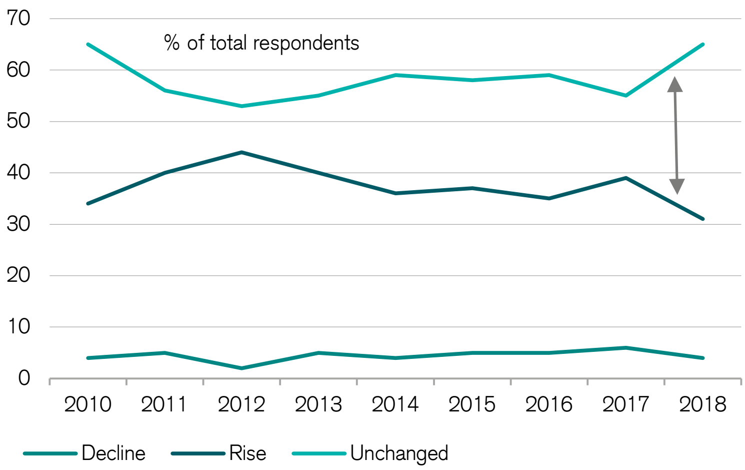
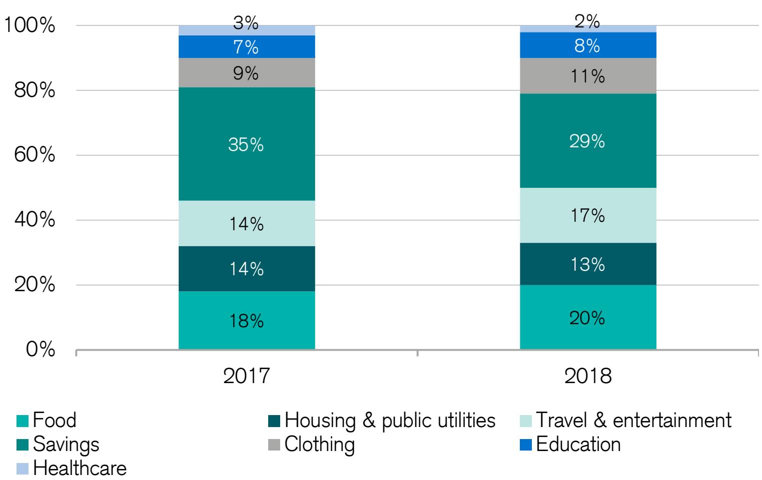
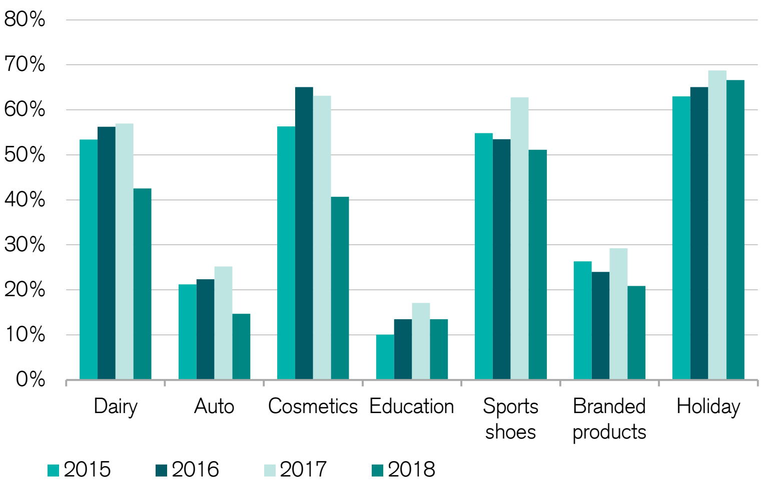


Figure 13: Monthly spending by category in China (ages 18–29)



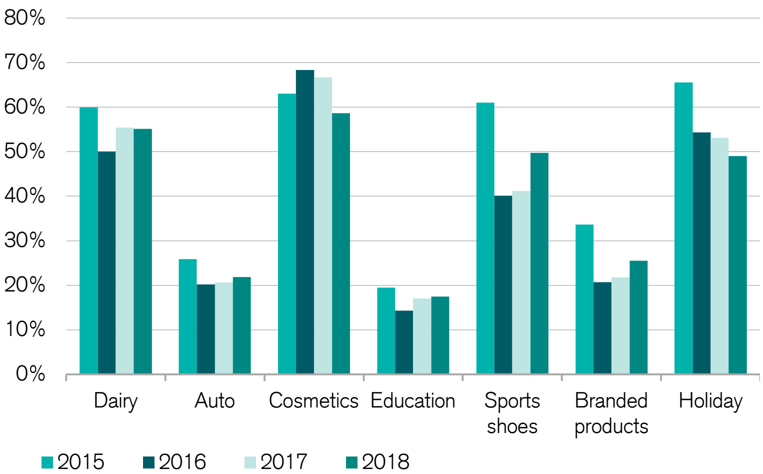
Source: Figures 12–13: Credit Suisse Emerging Consumer Survey 2019

Figure 14: Consumer purchase intentions for the next 3–12 months (top-tier cities)



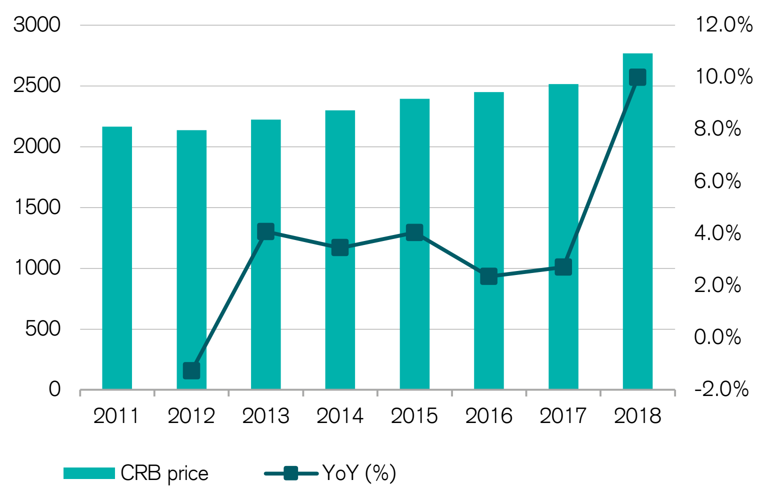
Source: Credit Suisse Emerging Consumer Survey 2019

Figure 15: Consumer purchase intentions for the next 3–12 months (lower-tier cities)



Source: Credit Suisse Emerging Consumer Survey 2019

Figure 16: Mass-market beer brands' ASP is still trading up



Source: Company data

The shift from goods to experience consumption, the rise of the young generation and solid consumption upgrading in lower-tier cities are the three secular trends apparent in the survey, which we believe are key structural drivers for consumption. Respondents continue to shift from staple and durable goods to service-related consumption, such as travel, leisure and education. Although consumer sentiment was generally weak in 2018, education, holiday and fashion were the most resilient categories, with the smallest decrease in the share of consumers who desire to make purchases over the next 3–12 months.

We believe the influence of the younger generation (post-80s) is at work here. In terms of the monthly spending of each age group by category, we notice that young consumers – aged 18–29 and 30–45 – spend more on three categories, i.e. education, travel and entertainment, and clothing (sportswear). In contrast, older generations – aged 46–55 and 56–65 – are more focused on food. Meanwhile, post-1980 consumers are also more optimistic about future incomes, suggesting a stronger purchasing power in the future. In the survey, among the groups aged 18–29 and 30–45, 35% and 33% expect a higher household income in the next 12 months, respectively. This compares with 25% for the 46–55 age group, 21% for the 56–55 group, and 31% for the overall group.

Lastly, consumer sentiment has remained strong in lower-tier cities, where we see higher purchase intentions across all categories including luxury products. This is mainly attributable to faster income growth, fewer financial burdens, lower living costs and a stronger motivation to pursue a better life style. We expect this sentiment to lead to an acceleration shift from unbranded to branded products as well as a secular premiumization trend.

Taking the beer industry as an example, we notice consumers in low-tier cities have been gradually shifting their consumption needs from quantity-oriented (cheaper local brands) to quality-oriented beers (national brands with premium prices). As such, we note that both the mid-end segment (priced between RMB 5~10 per 500 ml bottle) and the high-end segment (priced over RMB 10 per 500 ml bottle) enjoyed a resilient growth, well offsetting the shrinking volume of the low-end segment (priced below RMB 5 per 500 ml bottle). Meanwhile, the favorable mix shift toward mid- to high-end segments is showing a steady improvement in average selling price (ASP), serving as a consistent industry growth engine going forward.

For respondents in top-tier cities, the weaker sentiment was mainly caused by higher living costs and rapidly increasing household debt. As a result, these negative factors hurt consumer confidence in top-tier markets, especially for luxury and big-ticket items, while staple goods appear to be relatively more defensive as they are necessity goods.

In summary, despite a challenging outlook pictured by the results, we expect the risk of a "collapse" in consumption to be mitigated by the stimulus packages and tax deduction plans recently announced by the government, and overall consumption growth to remain resilient in 2019. We are constructive with regard to the secular premiumization trend in lower-tier cities as well as structural growth opportunities in service-related consumption and emerging categories.

Indonesia

Deidy Wijaya

Generally more confident

This year's survey surprisingly shows that a much higher percentage of Indonesian consumers are planning for property and car purchases. In addition, we note that there is a higher focus on beauty among Indonesians, with the usage and intention of purchasing cosmetics, perfumes and fashion rising to much higher levels compared to previous surveys. Another development is in the internet penetration rate, which continues to rise rapidly, driven by higher smartphone usage. This benefits the e-commerce sites as the survey results also indicate that 24% of Indonesians plan to make more online purchases relative to the prior year.

Higher focus on personal appearance

The results of this year's survey show that 64% of consumers are planning to purchase fashion apparel. This is much higher than the 39% recorded in last year's survey and is the highest level since 2012. In conjunction with this development, 74% (the highest ever level) of consumers plan to spend more on cosmetics (54.8%) and skin care (45.2%). Also, our survey shows that 52% of consumers plan to purchase perfume in the next 12 months (versus 36% last year). In our view, these are indications that Indonesians are increasing their focus on their personal appearance and that this would likely benefit consumer companies producing personal care products. Another interesting observation is that 91% of respondents say that "halal" certification is an important factor in their decision to purchase a product. This is probably why Wardah (a local consumer company) with a halal tagline has done extremely well over the last few years. Unilever Indonesia has also increased its focus on targeting Muslim consumers with the launch of Sunsilk Hijab shampoo and Hijab Fresh body lotion.

More connected to the internet

The ownership and intention to purchase a smartphone continues to rise in Indonesia. Based on the survey, 70% of Indonesians (versus 56% last year) have access to the internet and nearly all of this is through mobile phones. Eighty-two percent of handset owners answered that their phones are currently smartphones (versus 72% the previous year) and 60% of the respondents said that they will upgrade their handsets to smartphones within the next 12 months. Hence, we can only assume that this trend of higher smartphone penetration (and hence higher internet penetration) is likely to continue and should benefit e-commerce and other online companies such as GoJek, Grab, Tokopedia, Shopee, etc. Based on the survey, 24% of respondents said that they are likely to increase purchasing on the internet over the next six months versus 18% last year. The top two reasons to pick a particular e-commerce site according to consumers are trustworthiness (37%) and low cost (35%).

Figure 17: % of Indonesians with internet access

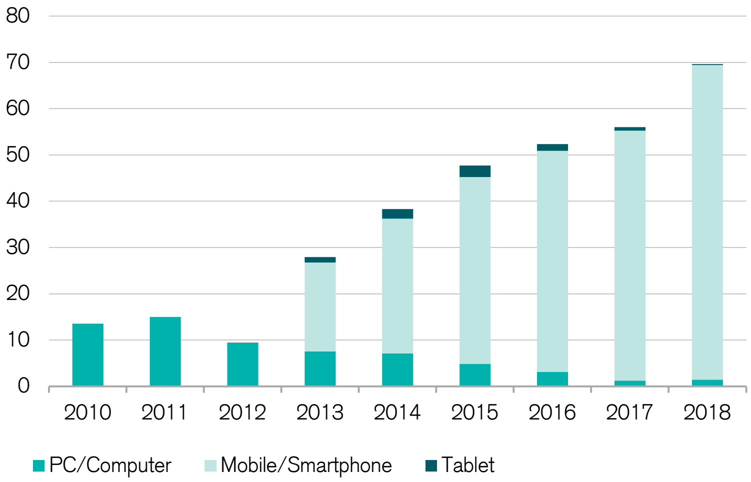
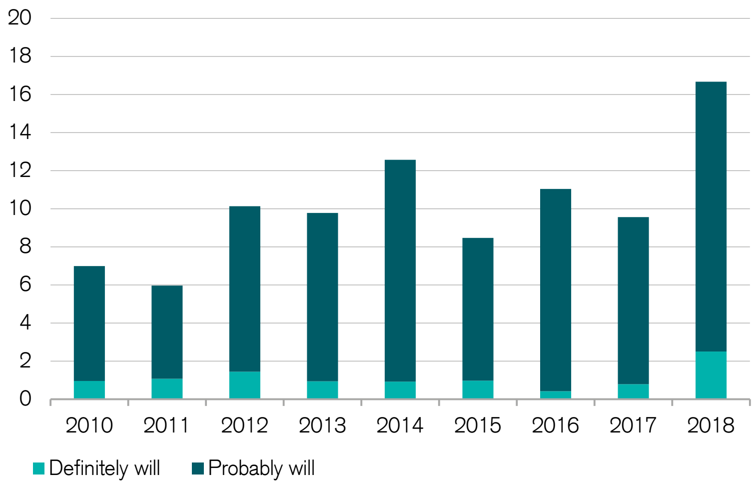


Figure 18: Intentions to purchase cars in the next 12 months in Indonesia (%)



Source Figures 17–18: Credit Suisse Emerging Consumer Survey 2019

Figure 19: Intentions to purchase property in the next two years in Indonesia (%)

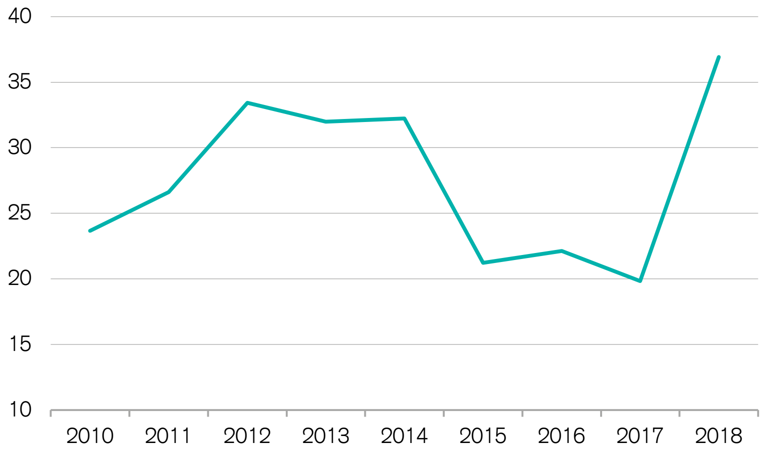


Figure 20: Intention to take holidays, by region in Indonesia (%)

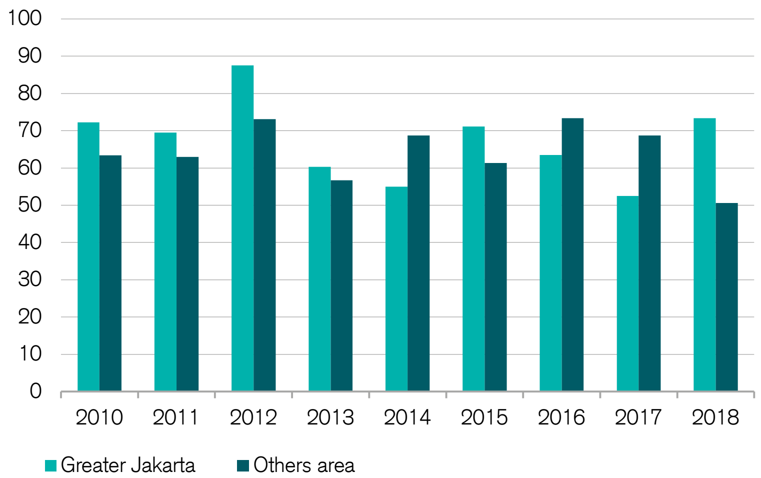
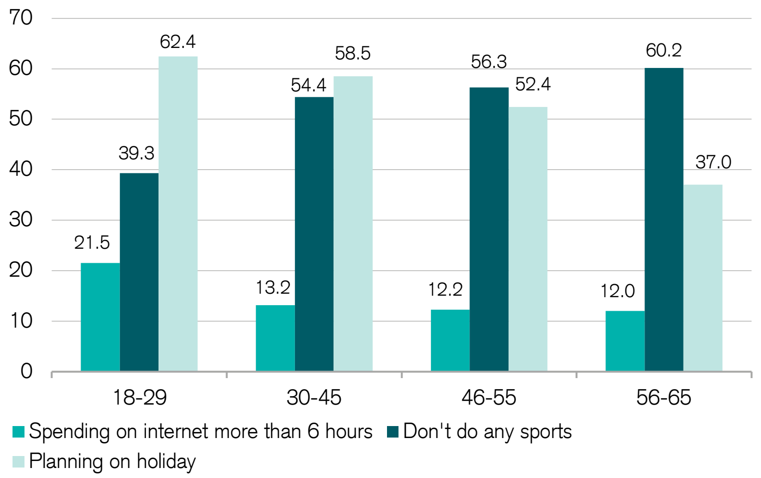


Figure 21: Young Indonesians driving consumption (%)



Source Figures 19–21: Credit Suisse Emerging Consumer Survey 2019

Purchase of property and cars

Quite surprisingly, in this year's survey, 16% of respondents plan to purchase a car within the next 12 months compared to 10% last year. In terms of intention to purchase property over the next two years, the result is also surprising, with 36% of respondents answering that they intend to purchase property. This is a significant jump compared to 19% last year and is actually at the highest level ever. Thirty-three percent (a 4-year high) said that they intend to purchase using cash. Twenty-seven percent of respondents said that they expect property prices to increase over the next 12 months versus 19% last year, probably due to the weak property prices seen over the last few years.

Fewer holidays

To our surprise, the percentage of consumers answering that they have not been on vacation over the last 12 months rose for the second consecutive year to 44% (versus 37%/31% in 2017/2016). Similarly, the percentage of consumers who are not planning to go on vacation over the next 12 months also rose for the second consecutive year to 42% (versus 36%/30% in 2017/2016). Only 28% of consumers in Greater Jakarta did not go on vacation in the last 12 months (versus 44% nationwide) and only 26% in Greater Jakarta said "No" to holiday plans over the next 12 months (versus 42% nationwide).

Young Indonesians driving consumption

Indonesia is known to be a young country, with around 50% of the population under the age of 30. Based on the survey results, young Indonesians (aged 18–29) are spending more time on their phones, are physically more active and are more willing to travel compared to their older counterparts. Ninety-one percent of young Indonesians are now connected to the internet (versus 79% a year ago), which is much higher compared to the 70% internet penetration for all age groups. As a result, 22% of young Indonesians are spending more than six hours on their mobile phones compared to 12% for the rest of the age groups. Fifty percent of young Indonesians also plan to increase their mobile data usage versus 36% for all age groups. Young Indonesians are also physically more active with the share not doing any sport at 39% versus 49% for all age groups. Also, their intentions to purchase sports shoes and sportswear are higher at 38% versus 29% for all age groups. However, despite being more physically active, young Indonesians are not planning to reduce the consumption of less healthy items such as cigarettes, carbonated drinks, etc. Hence we see young Indonesians as much less health conscious compared to other nations. In the area of travel, 62% of young Indonesians are planning for a holiday versus 58% for all age groups.

Spotlight on Thailand: Inflection point

Warayut Luangmettakul

Thailand is included in the Emerging Consumer Survey for the first time, ranked sixth in our Scorecard. However, we believe believe Thailand is at an inflection point of potential shifts in its consumption pattern. Consumption spending behavior can generally change for both micro and macroeconomic reasons. The micro change can be attributable to an individual preference, while the macro change can occur because of structural shifts in the environment. We have identified four potential shifts driven by both micro and macro factors and based on our survey (interviewing 1,538 Thai people in regard to country, age and gender) along with other various sources. These changes in the consumption pattern are from:

1. Durables to non-durables.
2. Offline to online activities.
3. Cash-based to non-cash payments.
4. Eat-out to dine-in.

Durables to non-durables

The first most noticeable change is a potential demand shift from durables to non-durables (see **Figure 1**). The survey shows that, on average, purchase intentions for durables in the next 12–24 months rank the lowest, followed by semi-durables and non-durables. A high car ownership (84% versus the survey average of 44%), a car replacement cycle in 2018, and a high level of household debt (high reliance on debt financing) could help explain the low purchase intentions compared to other products. The number of Thai consumers who plan to purchase semi-durables looks moderate with the exception of fashion products. The intention to spend more on non-durables is strongest, with 46% of those surveyed expecting to spend more on various household items and food and beverages.

Offline to online

Thai consumers have switched a considerable amount of their activities from offline to online. Not only do Thais have a high internet access of 91%, but the number of hours spent online is increasing. Data from Thailand's Electronic Transactions Development Agency (ETDA) with regard to internet and e-commerce activities shows that the number of hours on the internet per day rose by 53% in 2018. The rise in internet hours over the past few years has been driven by the availability of inexpensive smartphones, which are Thailand's primary tool to access the internet (91% of those surveyed access the internet via smartphone). Our survey also shows that Thais are especially active in social networking (88%), streaming (76%) and gaming

Figure 1: Savings as a percentage of total expenditure

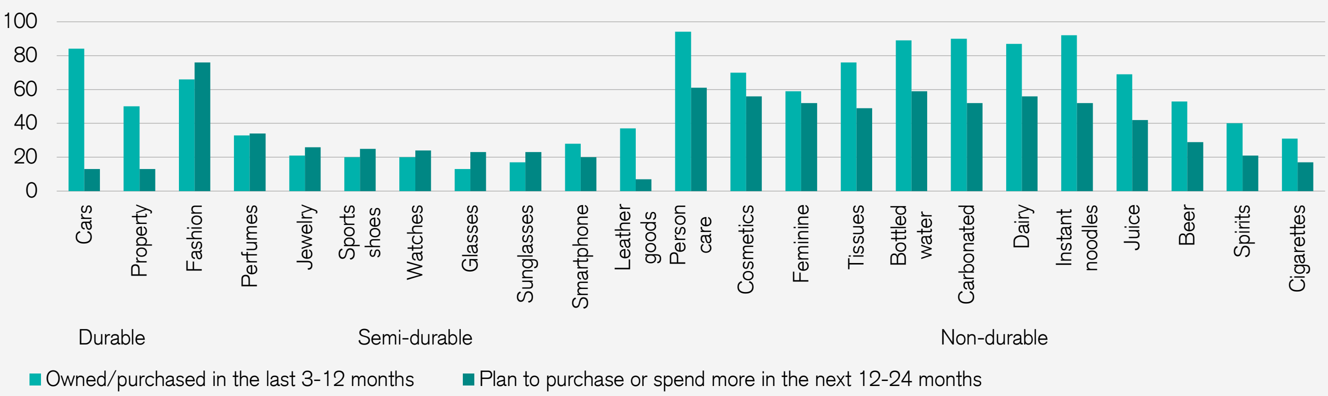
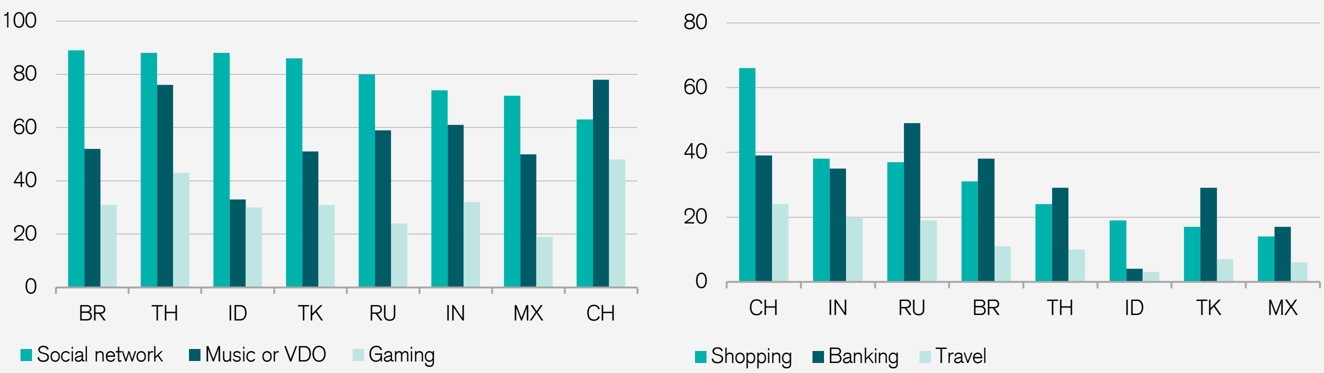


Figure 2: Thais highly active on social network, streaming and gaming



Source Figures 1–2: The Emerging Market Consumer Survey 2019

(43%) compared to the other countries. Interestingly, most of these activities are conducted via smartphone and "on-the-go." Thai consumers are ranked among the top three for those accessing the internet via smartphone and number one in the survey for the number of participants who watch sports content online (42%). While Thailand is still far behind the other countries in terms of online banking (29%), shopping (24%), and travel (10%), we believe these activities are at a turning point.

We discuss online banking in the section below, but, for online shopping, the industry landscape is changing. The entry of global e-commerce players (Alibaba, Shopee, JD) into Thailand over the past few years and the increase in online platforms have been a catalyst for online shopping activities, in our view. Merchants ranging from major retailers to micro SMEs are increasingly offering products online. The data from ETDA shows that one of the biggest increases in internet activities in 2018 was selling products online (to 24% from 14% in 2017).

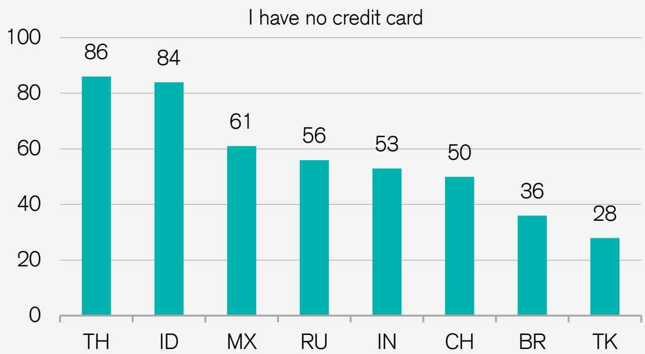
Cash to non-cash

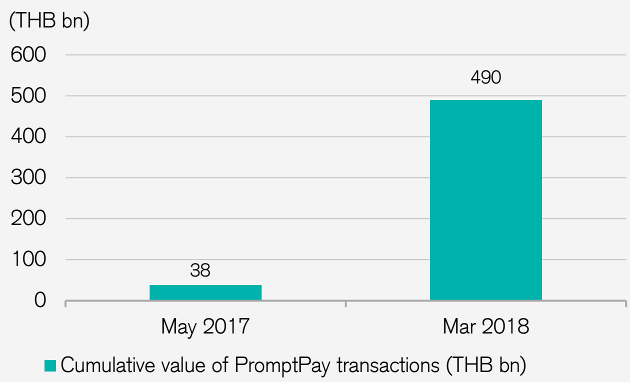
Payments in Thailand are still predominantly cash-based, but we believe this will change. Data from our survey shows a surprisingly low number of credit card holders (over 86% of Thais surveyed said they have no credit cards). According to the data, around 70% of payments are still made in cash. That said, there have been several structural changes in recent years, which we view as playing an important role in paving the way for the increased adoption of non-cash payments. These include (1) PromptPay, a national e-payment scheme introduced in 2016; (2) increased electronic data capture (EDC) per card usage and quick response (QR) codes; and (3) a waiver of fees for digital transactions and bill payments by banks in early 2018. The growth in the cumulative value of national e-payment (PromptPay) was impressive, increasing by 13 times between May 2017 and March 2018.

Eat-out to dine-in

Thailand has seen a rise in on-demand food delivery start-ups. Thai diners can now enjoy a larger variety of food at home thanks to mobile food delivery apps. Research from our internet research team in Europe shows that (1) online food delivery has strong growth potential globally; and (2) this potential is greatest in emerging markets. We believe this is also the case for Thailand. Data from market research company Euromonitor shows that online food delivery has considerable growth potential. Home deliveries rose from 7.2% of consumer food-service revenue in 2012 to 8.9% in 2017. The data from our survey shows that food delivery services are more prevalent in urban areas, where 43% of Thais surveyed (among the top three in the survey) said they have used a food delivery service. Most food delivery operators still concentrate their services in the urban area due to limited resources, but will eventually expand their coverage further, in our view.

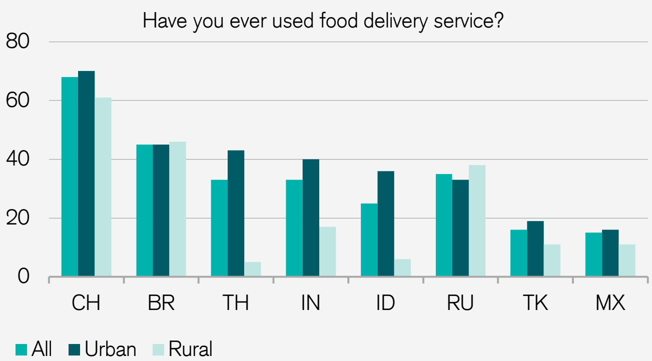
Figure 3: High cash-based, but non-cash on the rise

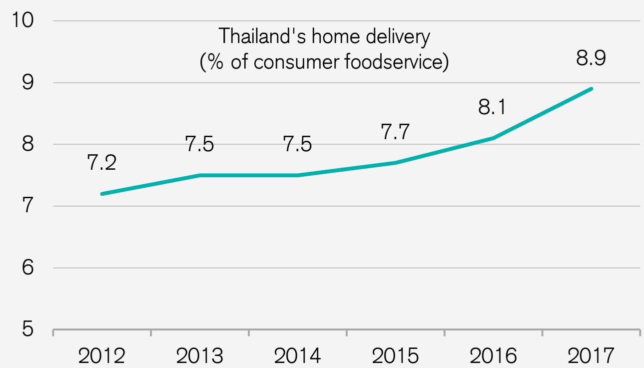




Source: The Emerging Market Consumer Survey 2019, Bank of Thailand

Figure 4: Food delivery is gaining popularity





Source: The Emerging Market Consumer Survey 2019, Euromonitor International

Country profiles

In this section, we summarize key macro indicators and forecasts related to our survey countries. The forecasts provide added cyclical context to the structural trends in the report. For more details, please see the Credit Suisse House View forecasts in the Credit Suisse Emerging Markets Quarterly Q1 2019, published on 10 January 2019. In the pages thereafter, we highlight, country by country, key indicators emerging from the survey focusing on the confidence indicators that feed into our scorecard, spending trends by category and also savings patterns. Fuller details are available on request drawing from our full questionnaire and related database.

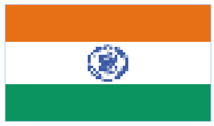
Summary of macro forecasts and key survey indicators by country

Statistics	Brazil	China	India	Indonesia	Mexico	Russia	Turkey	Thailand
GDP (2018E) in USD bn	1,912	13,300	2,712	1,043	1,209	1,583.9	783.4	505
GDP per capita (2018E) in USD	9,110	9,530	2,000	3,903	9,649	10,999.3	9,631	7,299
Population (2018E)	209.9 m	1,396 m	1,333.1 m	266.90 m	125.3 m	144.0 m	81.3 m	66.45 m
CPI inflation (2018E)	3.7%	2.1%	3.9%	3.20%	4.8%	4.2%	20.30%	1.10%
CPI inflation (2019F)	4.2%	2.2%	4.2%	3.20%	4.0%	4.3%	14.9%	1.00%
CPI inflation (2020F)	4.2%	1.9%	5.4%	3.70%	4.0%	4.0%	11.4%	1.40%
Real GDP growth (2018E)	1.4%	6.6%	7.3%	5.20%	2.1%	1.6%	2.8%	4.10%
Real GDP growth (2019F)	3.0%	6.2%	7.1%	5.10%	1.2%	1.4%	-0.8%	3.40%
Real GDP growth (2020F)	2.5%	6.0%	7.0%	5.20%	2.8%	1.8%	3.1%	3.30%
Real private consumption growth (2018E)	2.0%	6.8%	8.00%	5.10%	2.5%	3.0%	3.0%	4.60%
Real private consumption growth (2019F)	2.9%	6.4%	7.40%	5.10%	1.8%	2.5%	-0.5%	3.60%
Real private consumption growth (2020F)	2.6%	6.0%	7.2%	5.10%	2.8%	3.0%	2.5%	3.20%

E = estimate; F = forecast

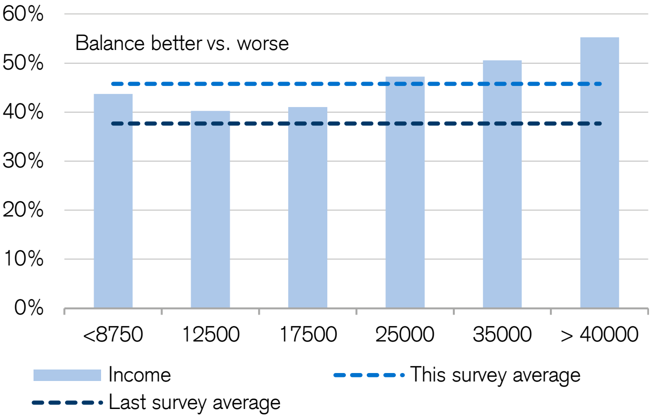
Source: Brazil: IBGE, Central Bank of Brazil, Credit Suisse; China: National Bureau of Statistics, People's Bank of China, CEIC, Credit Suisse; India: Oxford Economics; Indonesia: Oxford Economics; Mexico: INEGI (government statistics agency), Banco de Mexico, Ministry of Finance, Credit Suisse; Russia: Rosstat, Central Bank of Russia, Finance Ministry of the Russian Federation, Credit Suisse; Turkey: Statistics Office, Central Bank, Treasury, IMF, Credit Suisse; Thailand: Oxford Economics

India

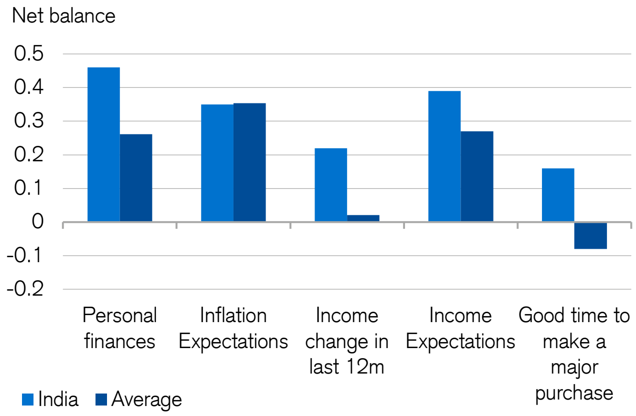


Scorecard rank: #1

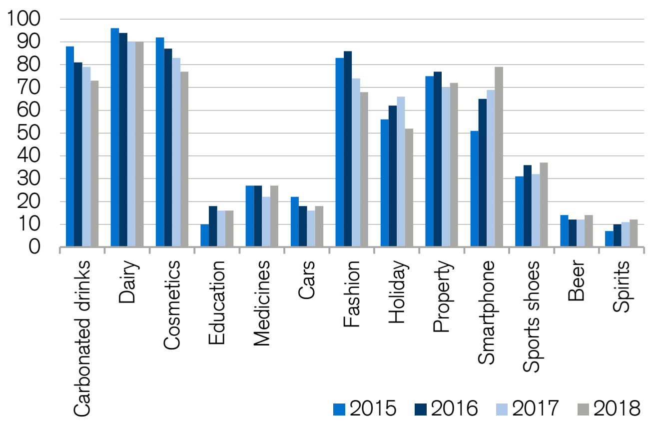
State of personal finances over the next six months



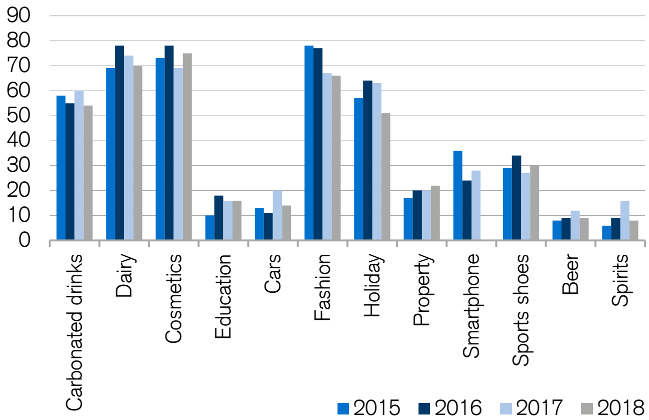
Consumer confidence indicators



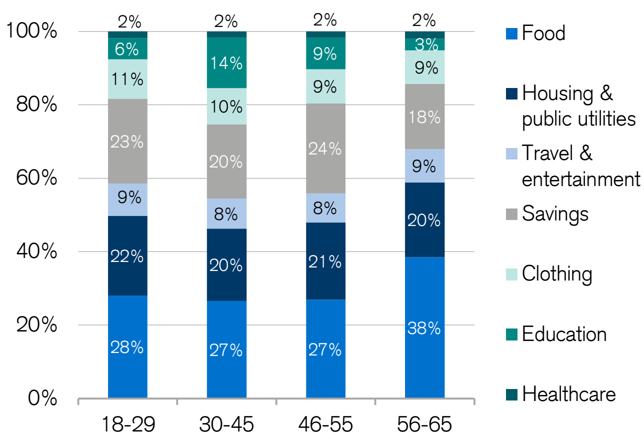
Consumer purchases in the last 3–12 months



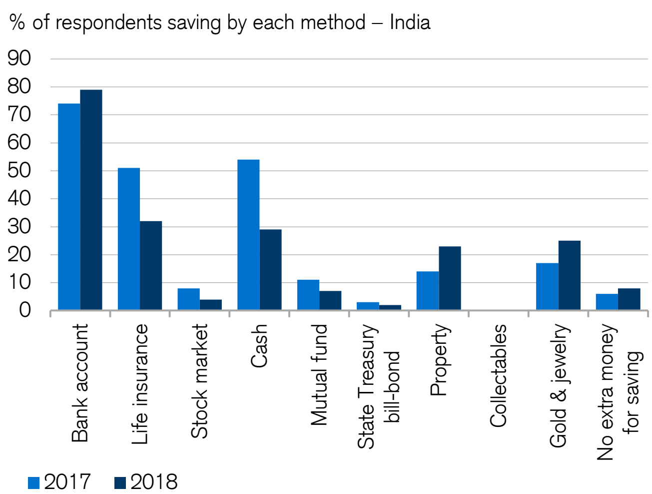
Purchase intentions for the next 3–12 months



Monthly spending by category



Savings by distribution channel (%)

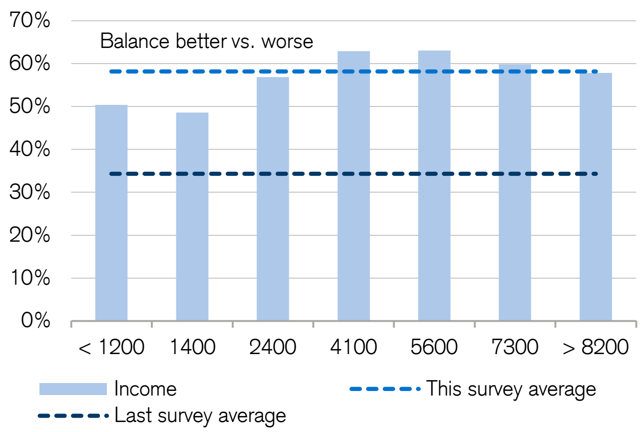


Source for Figures 1–6: Credit Suisse Emerging Consumer Survey 2019

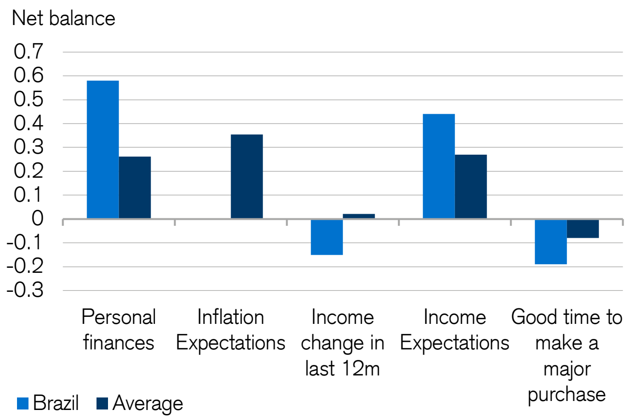
Brazil

Scorecard rank: #2

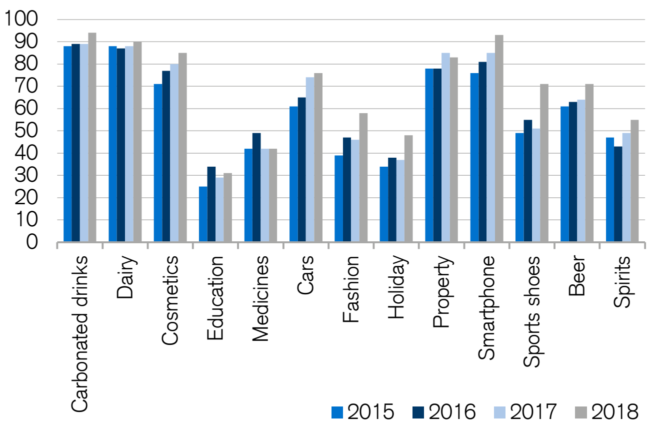
State of personal finances over the next six months



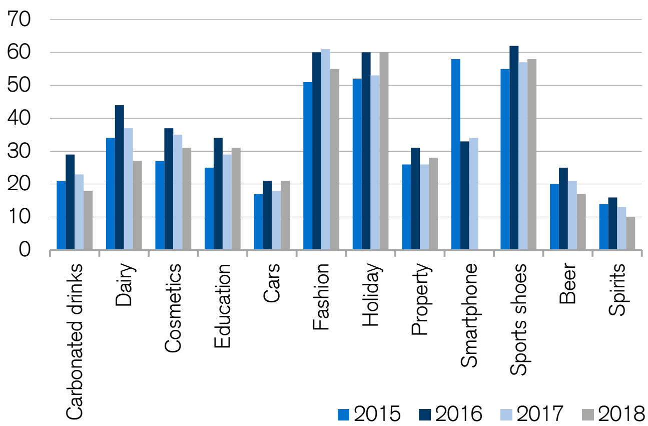
Consumer confidence indicators



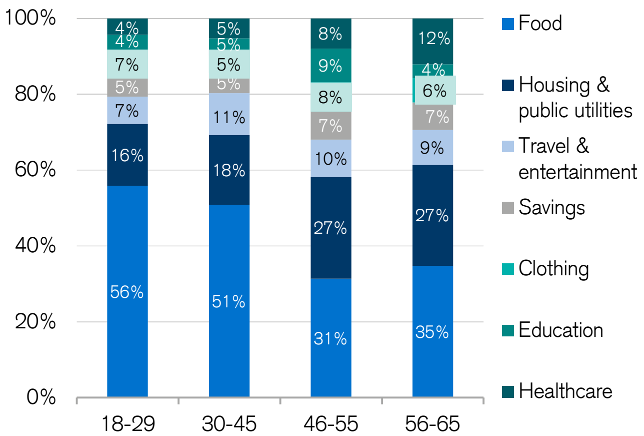
Consumer purchases in the last 3–12 months



Purchase intentions for the next 3–12 months

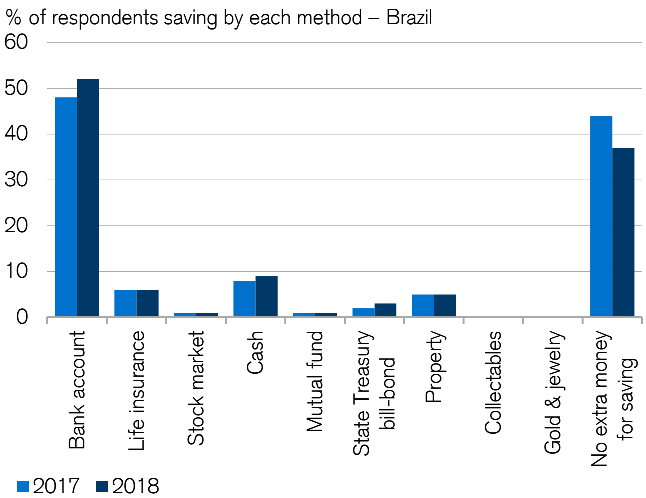


Monthly spending by category



Source for Figures 1–6: Credit Suisse Emerging Consumer Survey 2019

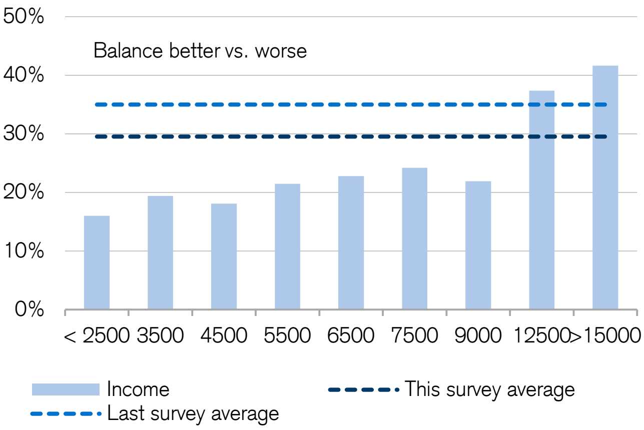
Savings by distribution channel (%)



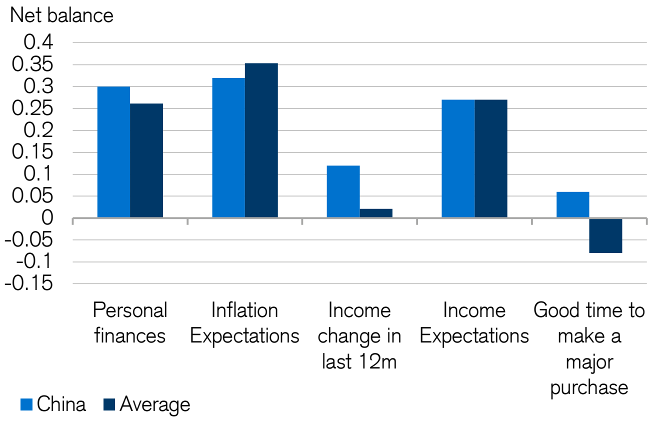
China

Scorecard rank: #3

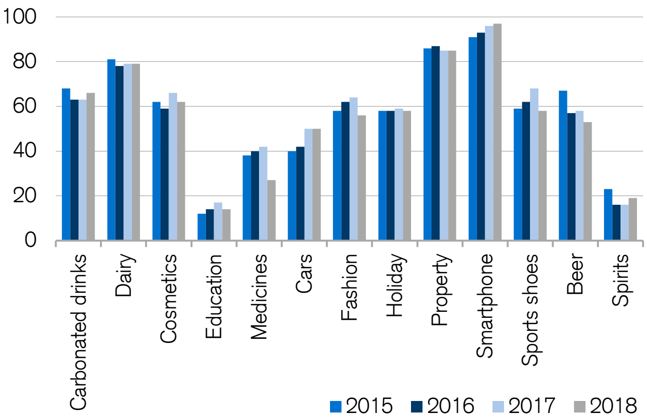
State of personal finances over the next six months



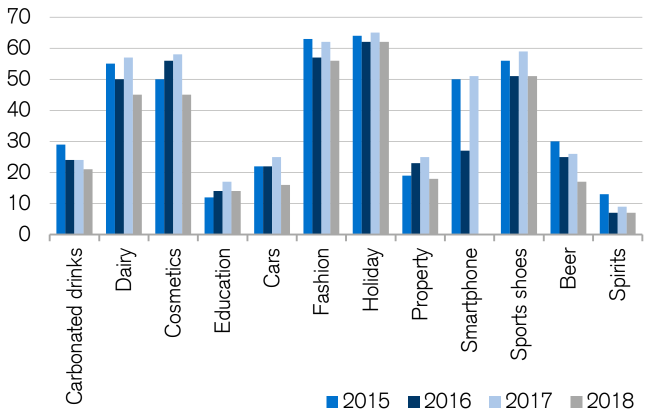
Consumer confidence indicators



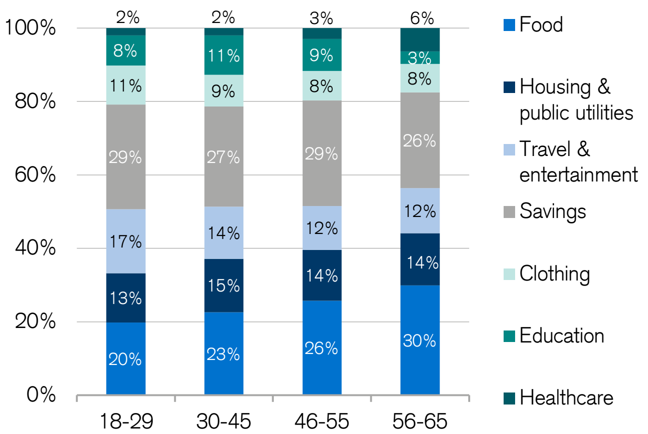
Consumer purchases in the last 3–12 months



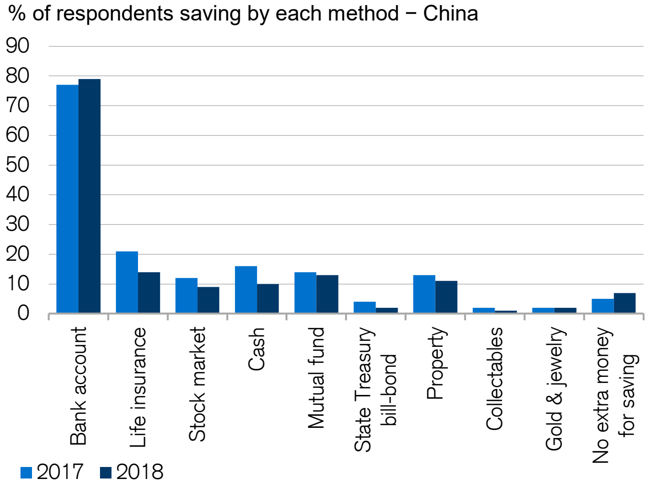
Purchase intentions for the next 3–12 months



Monthly spending by category



Savings by distribution channel (%)

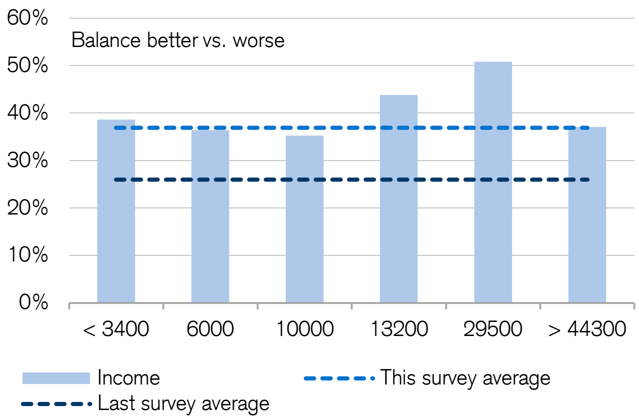


Source for Figures 1–6: Credit Suisse Emerging Consumer Survey 2019

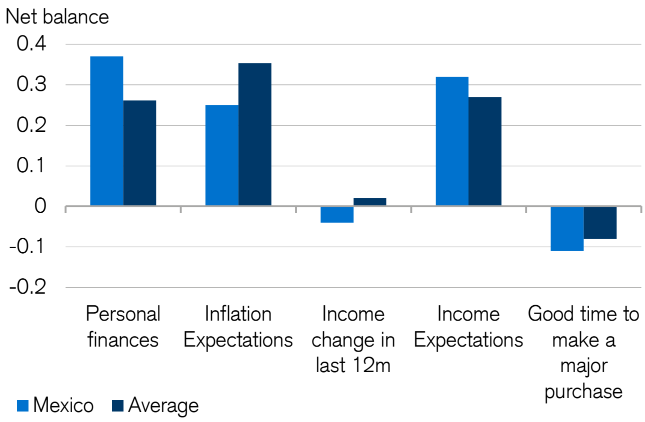
Mexico

Scorecard rank: #4

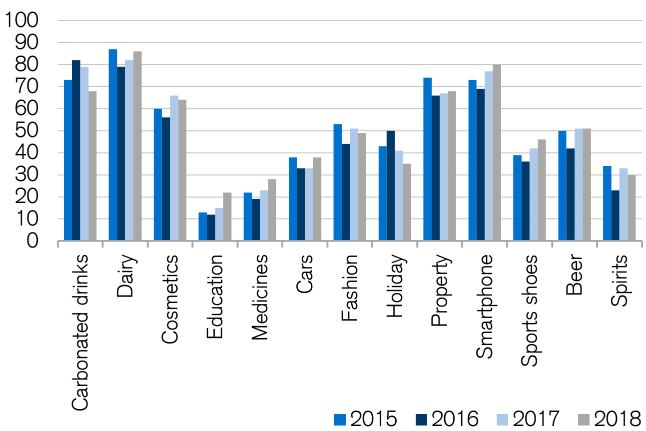
State of personal finances over the next six months



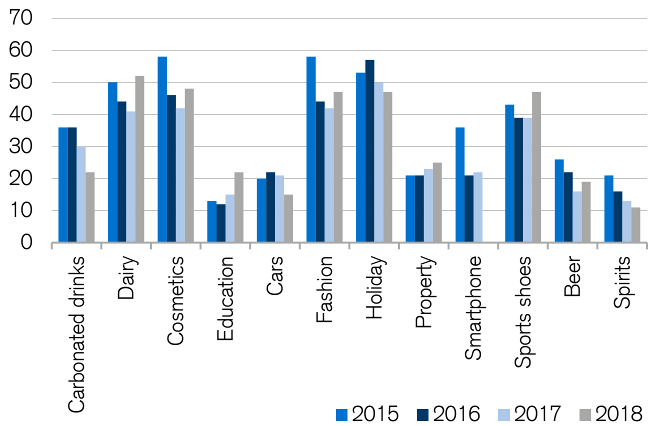
Consumer confidence indicators



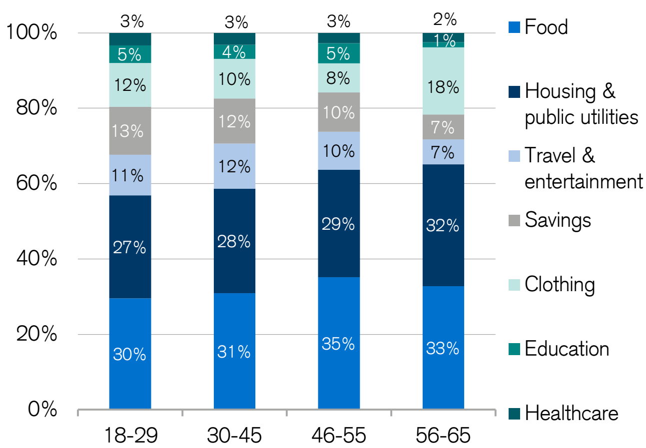
Consumer purchases in the last 3–12 months



Purchase intentions for the next 3–12 months

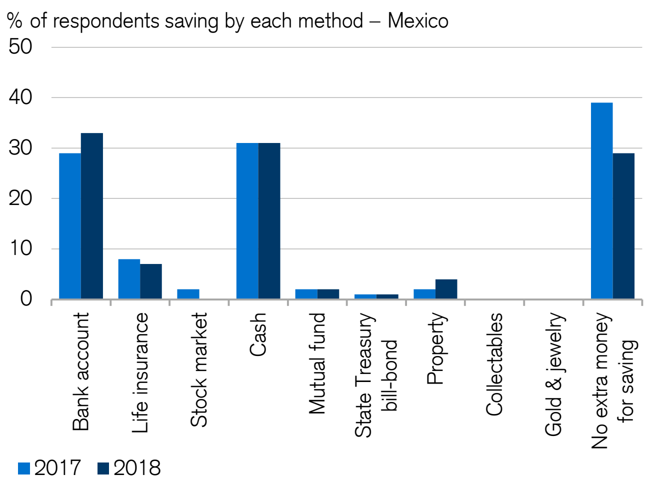


Monthly spending by category



Source for Figures 1–6: Credit Suisse Emerging Consumer Survey 2019

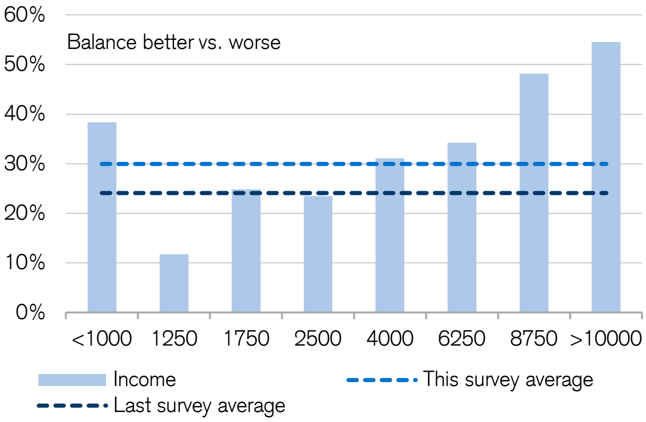
Savings by distribution channel (%)



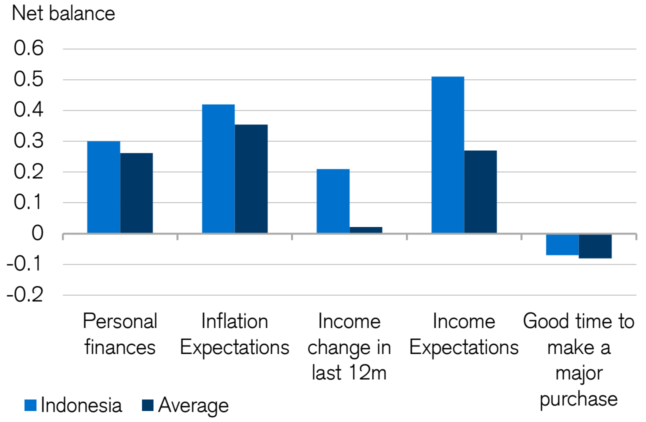
Indonesia

Scorecard rank: #5

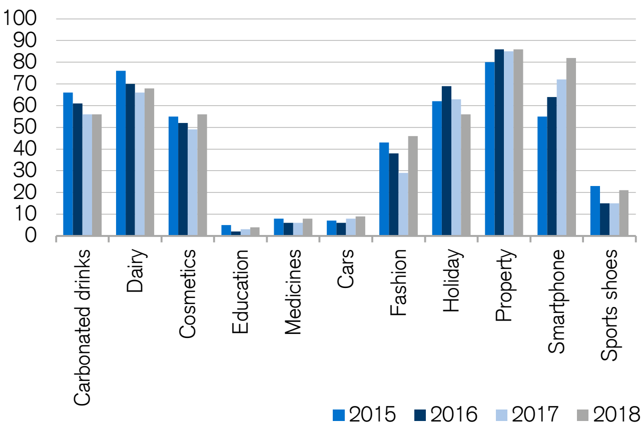
State of personal finances over the next six months



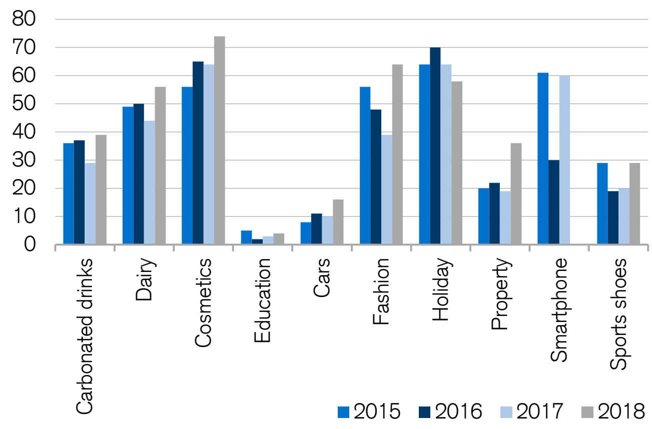
Consumer confidence indicators



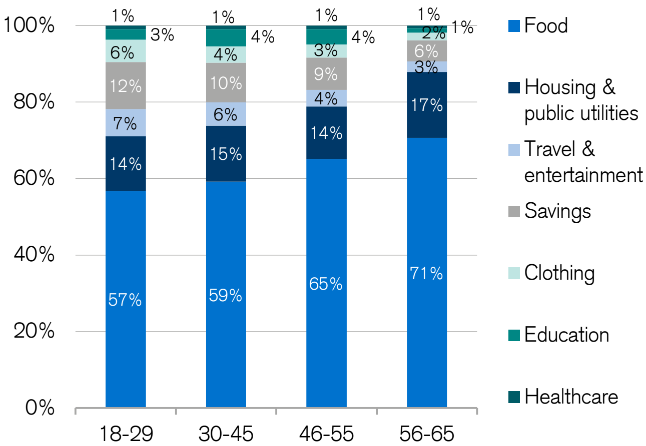
Consumer purchases in the last 3–12 months



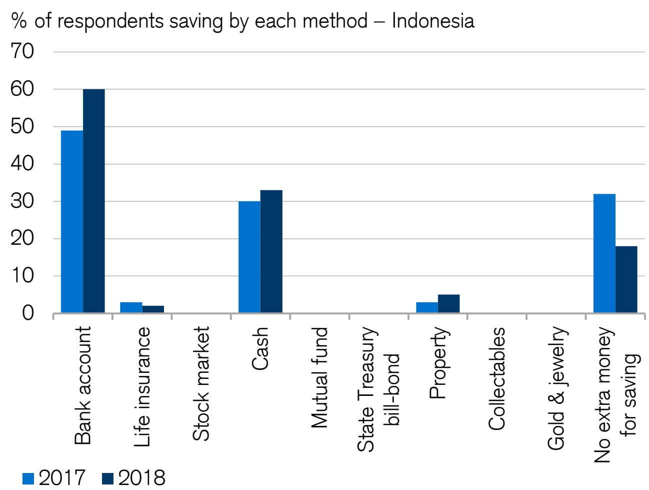
Purchase intentions for the next 3–12 months



Monthly spending by category



Savings by distribution channel (%)

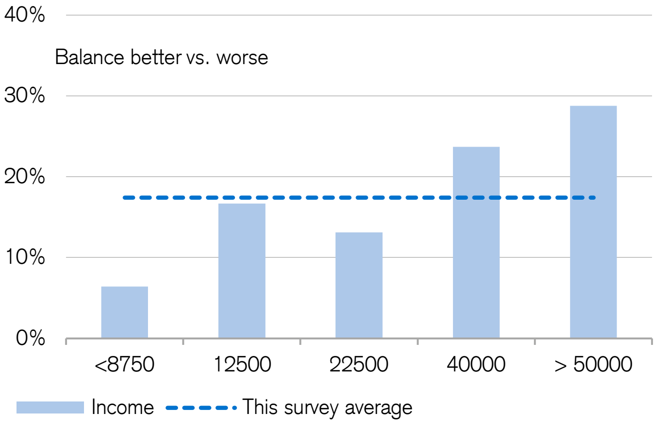


Source for Figures 1–6: Credit Suisse Emerging Consumer Survey 2019

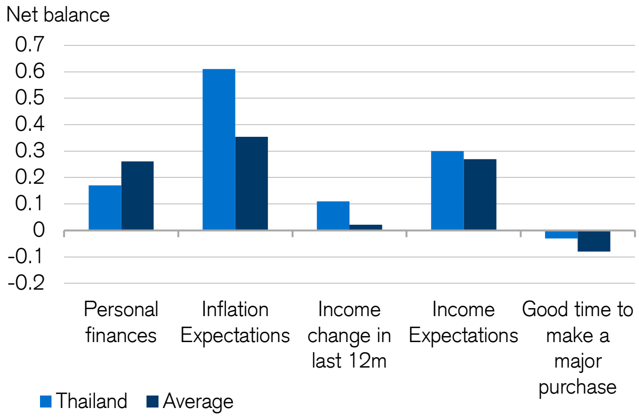
Thailand

Scorecard rank: #6

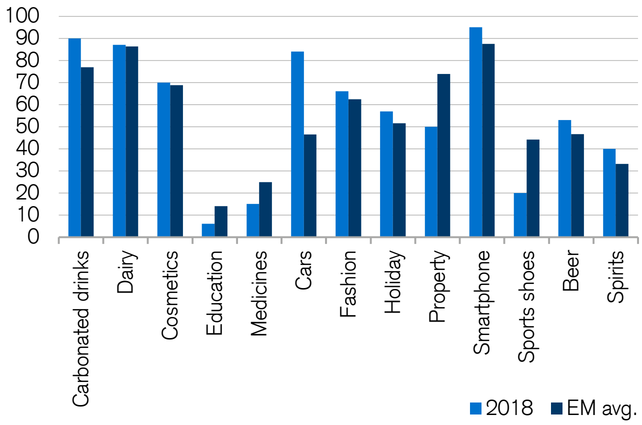
State of personal finances over the next six months



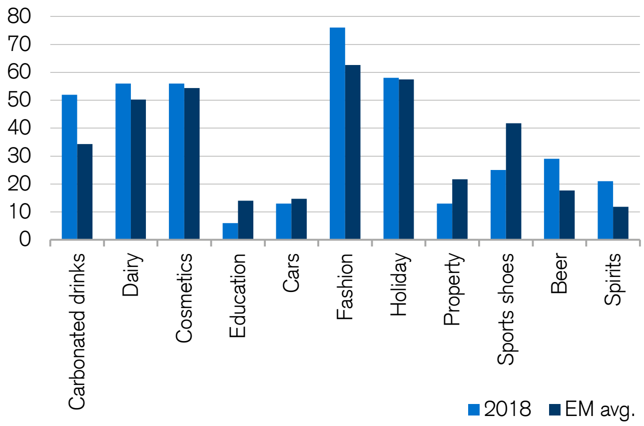
Consumer confidence indicators



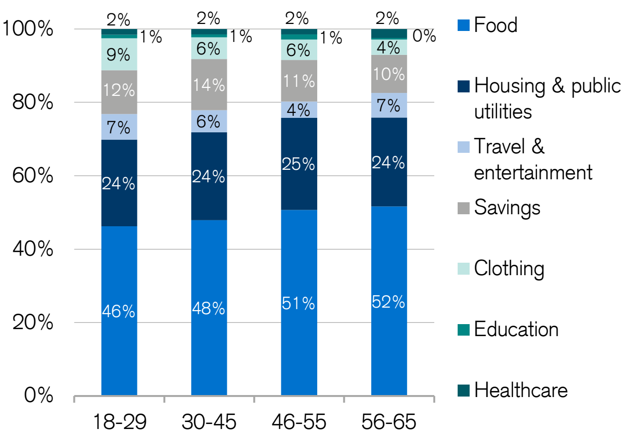
Consumer purchases in the last 3–12 months



Purchase intentions for the next 3–12 months

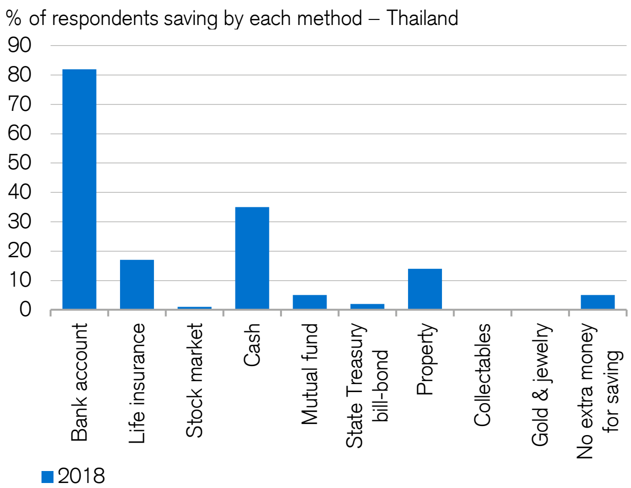


Monthly spending by category

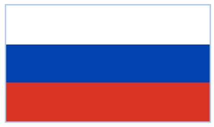


Source for Figures 1–6: Credit Suisse Emerging Consumer Survey 2019

Savings by distribution channel (%)

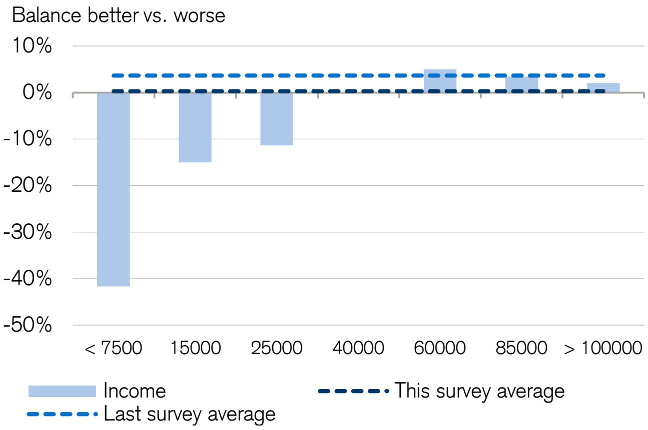


Russia

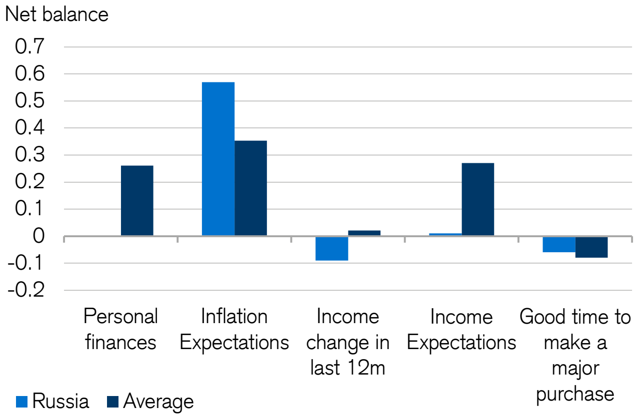


Scorecard rank: #7

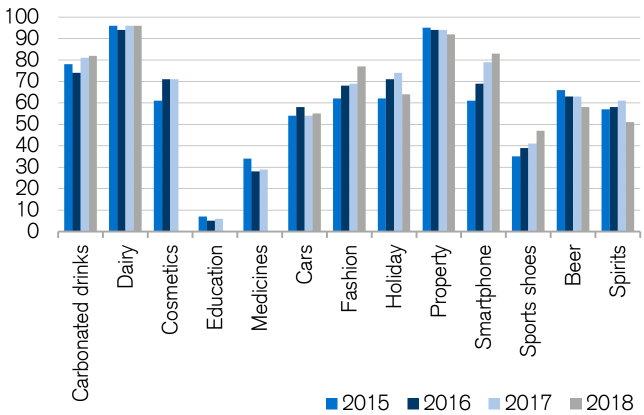
State of personal finances over the next six months



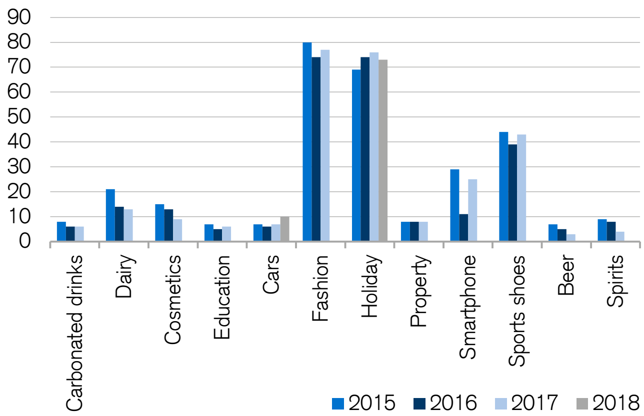
Consumer confidence indicators



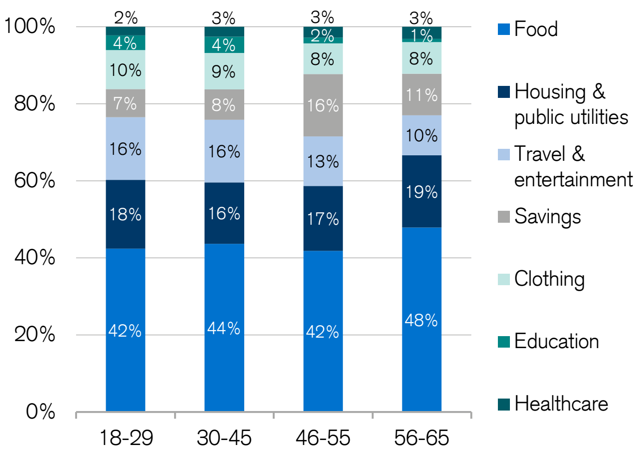
Consumer purchases in the last 3–12 months



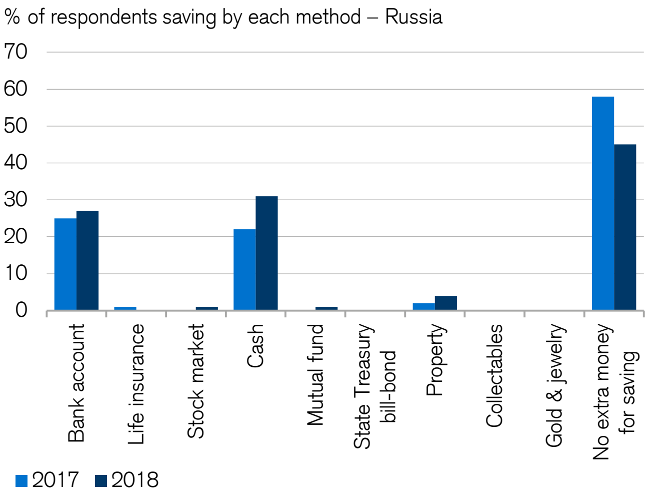
Purchase intentions for the next 3–12 months



Monthly spending by category



Savings by distribution channel (%)

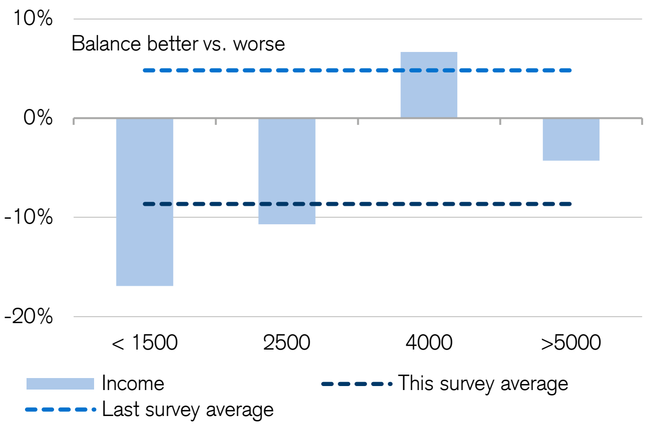


Source for Figures 1–6: Credit Suisse Emerging Consumer Survey 2019

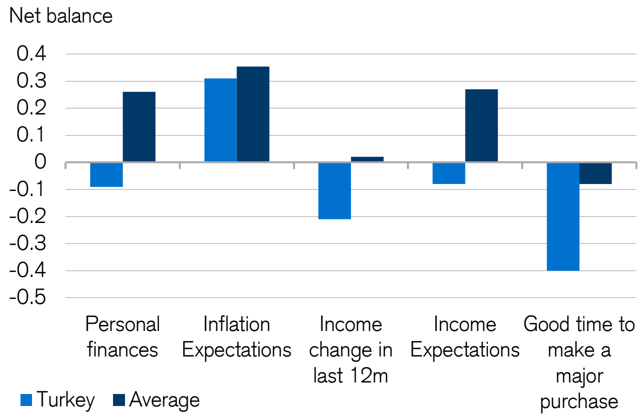
Turkey

Scorecard rank: #8

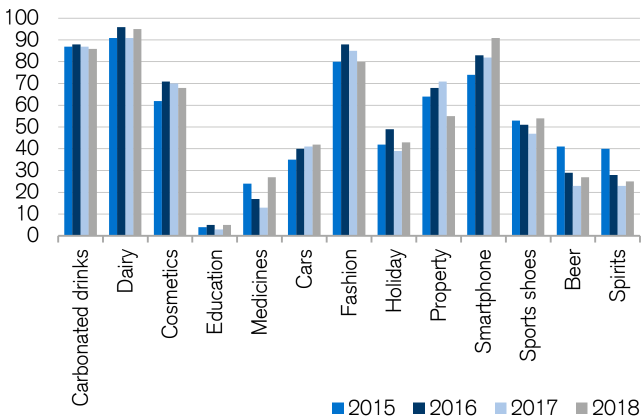
State of personal finances over the next six months



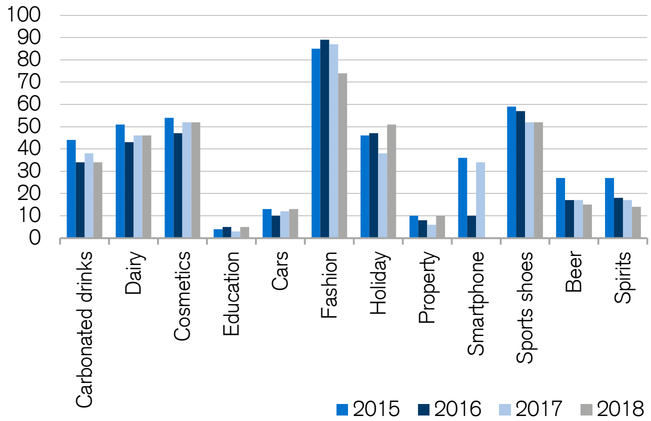
Consumer confidence indicators



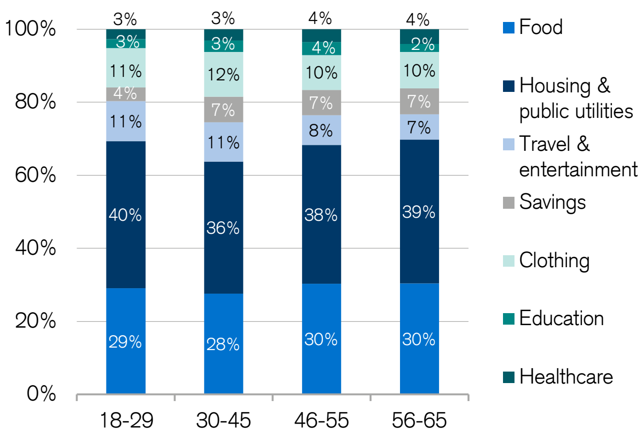
Consumer purchases in the last 3–12 months



Purchase intentions for the next 3–12 months

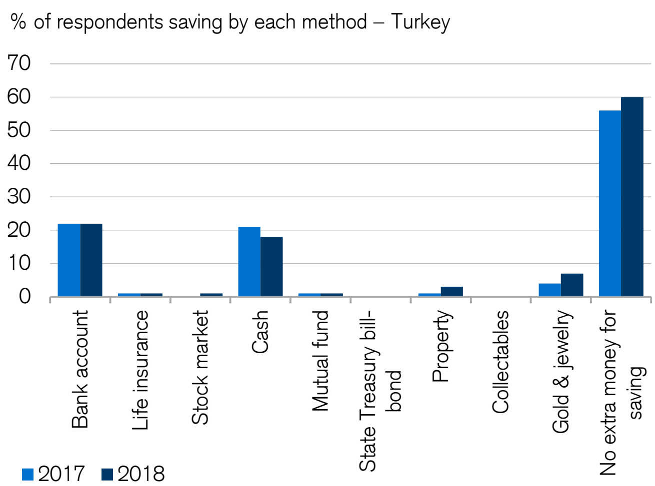


Monthly spending by category



Source for Figures 1–6: Credit Suisse Emerging Consumer Survey 2019

Savings by distribution channel (%)



Appendices

In the appendices that follow, we summarize spending intentions for consumers across age and area among discretionary categories of spending. We color code the tables to illustrate the areas of relative strength. In addition to the absolute spending intentions, we also review the momentum in these readings from a year ago. Continuing last year's trend, it is again the young, urban and wealthy demographic that is driving consumer growth and preferences in emerging markets. The full categories and additional data are not included in this appendix, but are available upon request.

Appendix 1

Purchase intentions for young versus old
Table 1 summarizes spending intentions for younger and older consumers. The absolute readings indicate that spending intentions are generally strongest in the younger age bracket, which in our view reflects the fact that income is typically skewed to young consumers. Fashion, holidays and cosmetics are the categories that show the strongest spending intentions across both age brackets and across most of our survey countries.

We note weaker readings for jewelry, cars, spirits and education. In India, in particular, both age groups intend to spend less on cars, beer and spirits. In China, similar to last year, beer and spirits also recorded weaker readings among the 18–29 age group when compared to the other spending categories.

Table 2 shows how these spending intentions have changed over the past year. The momentum to spend on fashion and watches is stronger compared to last year's readings. Both the 18–29 and 56–65 age brackets have indicated to spend more on fashion in China, Indonesia and Mexico. We note that the momentum to spend on holidays and cars is particularly weak in India, Indonesia and Russia across both age groups. What also emerges from this analysis is the strong momentum to spend on education in Latin America, where the 18–29-year-olds stand out in terms of their intention to spend more.

Table 1: Percentage of consumers that expect to buy or increase spending on certain categories in 2018 by age

The categories identified in "blue" are those that are the top three highest categories of future spending within that age bracket and country. The categories identified in "light blue" are those that sit in the bottom three categories of future spending within that age bracket and country.

	2018	Fashion	Sports shoes	Watches	Jewelry	Holiday	Cosmetics	Cars	Beer	Spirits	Property	Education
All	Brazil	55	58	21	15	60	31	21	17	10	28	31
18–29	Brazil	64	65	31	20	63	39	19	23	14	33	45
56–65	Brazil	39	42	8	6	51	21	19	15	8	16	11
All	China	56	51	10	12	62	45	16	17	7	18	10
18–29	China	65	63	15	14	69	54	22	14	5	21	22
56–65	China	41	31	5	8	52	41	9	21	10	10	4
All	India	66	30	27	35	51	75	14	9	8	22	16
18–29	India	68	35	31	32	53	79	15	10	8	22	19
56–65	India	58	21	21	23	39	65	12	7	4	19	12
All	Indonesia	64	29	24	26	58	74	16	n.a.	n.a.	36	4
18–29	Indonesia	69	38	32	26	62	75	17	n.a.	n.a.	38	5
56–65	Indonesia	46	13	11	21	37	71	10	n.a.	n.a.	25	3
All	Russia	n.a.	n.a.	n.a.	n.a.	73	n.a.	10	n.a.	n.a.	n.a.	n.a.
18–29	Russia	n.a.	n.a.	n.a.	n.a.	73	n.a.	13	n.a.	n.a.	n.a.	n.a.
56–65	Russia	n.a.	n.a.	n.a.	n.a.	46	n.a.	2	n.a.	n.a.	n.a.	n.a.
All	Thailand	76	25	24	26	58	56	13	29	21	13	6
18–29	Thailand	85	30	35	31	62	59	16	30	22	13	6
56–65	Thailand	50	15	6	10	47	41	6	25	19	4	0
All	Turkey	74	52	20	10	51	52	13	15	14	10	5
18–29	Turkey	74	61	28	10	58	59	15	20	19	9	7
56–65	Turkey	73	31	11	4	34	46	7	7	8	9	4
All	Mexico	47	47	15	12	47	48	15	19	11	25	22
18–29	Mexico	58	55	20	15	53	50	18	21	13	30	27
56–65	Mexico	31	21	8	3	41	54	14	12	7	17	15

Table 2: Year-on-year change in spending intentions by age

The categories identified in "blue" are those that are the top three highest categories of future spending within that age bracket and country. The categories identified in "light blue" are those that sit in the bottom three categories of future spending within that age bracket and country.

	Momentum	Fashion	Sports shoes	Watches	Jewelry	Holiday	Cosmetics	Cars	Beer	Spirits	Property	Education
All	Brazil	–6	1	4	2	7	–4	3	–4	–3	2	2
18–29	Brazil	–3	0	5	2	8	0	0	1	–5	4	6
56–65	Brazil	–1	4	4	0	8	–9	7	–7	–1	0	4
All	China	–6	–8	–9	–4	–3	–13	–9	–9	–2	–7	–7
18–29	China	–3	–5	–14	–3	–5	–11	–8	–9	–3	–6	–6
56–65	China	5	–8	0	0	1	–9	–4	0	0	–7	–2
All	India	–1	3	10	7	–12	6	–6	–3	–8	2	0
18–29	India	–1	2	11	6	–11	11	–7	–3	–10	3	1
56–65	India	–3	2	8	–2	–21	–2	–9	2	–6	3	2
All	Indonesia	25	9	10	10	–6	10	6	n.a.	n.a.	17	1
18–29	Indonesia	24	12	12	9	–6	8	6	n.a.	n.a.	18	1
56–65	Indonesia	19	5	4	12	–20	7	3	n.a.	n.a.	16	2
All	Russia	n.a.	n.a.	n.a.	n.a.	–3	n.a.	3	n.a.	n.a.	n.a.	n.a.
18–29	Russia	n.a.	n.a.	n.a.	n.a.	–4	n.a.	3	n.a.	n.a.	n.a.	n.a.
56–65	Russia	n.a.	n.a.	n.a.	n.a.	–3	n.a.	–1	n.a.	n.a.	n.a.	n.a.
All	Turkey	–13	0	2	0	13	0	1	–2	–3	4	2
18–29	Turkey	–15	–4	6	–2	12	7	2	1	0	2	4
56–65	Turkey	–4	4	7	1	10	–6	4	–3	–4	7	2
All	Mexico	5	8	2	1	–3	0	–6	3	–2	2	7
18–29	Mexico	5	5	0	–1	–4	0	–6	3	–2	2	8
56–65	Mexico	8	–2	1	–4	4	12	–9	–1	–2	0	4

Source: Credit Suisse Emerging Consumer Survey 2019

Appendix 2

Rural versus urban spending intentions
Table 1 below summarizes spending intentions by area and country. As we would expect, the strongest readings for spending intentions are observed in urban areas. Continuing last year's trend, the categories that have shown the strongest spending intentions are fashion and holidays, but we also note the significant increase in spending on cosmetics.

Areas where rural and urban consumers show weaker momentum readings include jewelry, cars and spirits. In Brazil, China, Turkey and Mexico, the intentions to spend more on jewelry across both rural and urban consumers is weaker relative to the other categories.

Table 1: Percentage of consumers that expect to buy or increase spending on certain categories in 2018 by area

The categories identified in "blue" are those that are the top three highest categories of future spending within that age bracket and country. The categories identified in "light blue" are those that sit in the bottom three categories of future spending within that area and country.

	2018	Fashion	Sports shoes	Watches	Jewelry	Holiday	Cosmetics	Cars	Beer	Spirits	Property	Education
All	Brazil	55	58	21	15	60	31	21	17	10	28	31
Rural	Brazil	51	56	20	14	56	27	19	16	9	35	36
Urban	Brazil	56	59	22	16	62	33	21	18	10	26	29
All	China	56	51	10	12	62	45	16	17	7	18	14
Rural	China	62	49	17	13	51	59	22	23	11	26	18
Urban	China	54	52	8	11	67	39	15	15	5	14	13
All	India	66	30	27	35	51	75	14	9	8	22	16
Rural	India	59	30	24	29	50	73	16	8	8	21	14
Urban	India	70	30	28	38	52	76	13	10	9	22	17
All	Indonesia	64	29	24	26	58	74	16	n.a.	n.a.	36	4
Rural	Indonesia	65	28	21	29	54	78	17	n.a.	n.a.	24	1
Urban	Indonesia	63	30	26	23	59	72	16	n.a.	n.a.	42	5
All	Russia	n.a.	n.a.	n.a.	n.a.	73	n.a.	10	n.a.	n.a.	n.a.	n.a.
Rural	Russia	n.a.	n.a.	n.a.	n.a.	61	n.a.	13	n.a.	n.a.	n.a.	n.a.
Urban	Russia	n.a.	n.a.	n.a.	n.a.	79	n.a.	9	n.a.	n.a.	n.a.	n.a.
All	Thailand	76	25	24	26	58	56	13	29	21	13	6
Rural	Thailand	71	18	19	24	41	55	12	31	27	7	7
Urban	Thailand	78	28	26	27	63	56	14	28	19	14	5
All	Turkey	74	52	20	10	51	52	13	15	14	10	5
Rural	Turkey	70	47	14	6	52	37	11	7	6	6	2
Urban	Turkey	76	54	22	11	51	57	14	19	18	11	7
All	Mexico	47	47	15	12	47	48	15	19	11	25	22
Rural	Mexico	43	45	13	10	43	47	11	16	9	21	18
Urban	Mexico	48	48	16	13	48	48	17	20	12	27	23

Source: Credit Suisse Emerging Consumer Survey 2019

The popularity of fashion and sports shoes, particularly in rural areas, has become stronger. This could perhaps be due to a deeper penetration of social media in rural areas, which often acts as a conduit between fashion and sports brands and consumers.

The momentum for spending on holidays, cars and spirits has been notably weaker across both rural and urban areas in a number of markets.

Table 2: Year-on-year change in spending intentions by area

The categories identified in "blue" are those that are the top three highest categories of future spending within that age bracket and country. The categories identified in "light blue" are those that sit in the bottom three categories of future spending within that area and country.

	Momentum	Fashion	Sports shoes	Watches	Jewelry	Holiday	Cosmetics	Cars	Beer	Spirits	Property	Education
All	Brazil	–6	1	4	2	7	–4	3	–4	–3	2	2
Rural	Brazil	–11	2	7	3	5	–7	0	0	1	8	5
Urban	Brazil	–5	1	3	2	8	–2	3	–5	–5	0	1
All	China	–6	–8	–9	–4	–3	–13	–9	–9	–2	–7	–3
Rural	China	7	7	1	–4	–4	1	1	–2	–2	–3	3
Urban	China	–9	–10	–11	–4	–1	–19	–10	–11	–3	–10	–4
All	India	–1	3	10	7	–12	6	–6	–3	–8	2	0
Rural	India	–11	7	7	3	–7	7	–4	1	–7	5	1
Urban	India	4	2	11	9	–13	5	–7	–3	–7	1	0
All	Indonesia	25	9	10	10	–6	10	6	n.a.	n.a.	17	1
Rural	Indonesia	39	18	12	18	3	17	9	n.a.	n.a.	14	–2
Urban	Indonesia	16	4	9	4	–12	7	6	n.a.	n.a.	18	2
All	Russia	n.a.	n.a.	n.a.	n.a.	–3	n.a.	3	n.a.	n.a.	n.a.	n.a.
Rural	Russia	n.a.	n.a.	n.a.	n.a.	–6	n.a.	7	n.a.	n.a.	n.a.	n.a.
Urban	Russia	n.a.	n.a.	n.a.	n.a.	–2	n.a.	1	n.a.	n.a.	n.a.	n.a.
All	Turkey	–13	0	2	0	13	0	1	–2	–3	4	2
Rural	Turkey	–9	4	–1	–1	14	2	–1	–10	–10	2	0
Urban	Turkey	–14	–2	3	1	13	–2	2	2	0	4	3
All	Mexico	5	8	2	1	–3	6	–6	3	–2	2	7
Rural	Mexico	7	11	0	0	–2	12	–11	–1	–4	–4	5
Urban	Mexico	4	7	3	2	–4	3	–4	4	–2	5	7

Source: Credit Suisse Emerging Consumer Survey 2019

Appendix 3

The consumer by area, age and income

Our survey allows us to contrast influences on spending in terms of various demographic considerations. For each country, we show the net balances for the barometers of (1) income expectations, (2) whether now is a good time to make a major purchase, and (3) the consumers' outlook for their personal finances. We have contrasted the responses to those questions by area (rural/urban), age and level of income.

The readings highlighted in color are the strongest for the given question. Themes that emerge include a strong bias to optimism among urban and wealthy consumers. China is the exception as we see a significant improvement in optimism among rural consumers. We also note that the young consumers (i.e. the 18–29 age group) are most optimistic in their outlook in Thailand, Brazil and Russia.

Table 1: Income, purchase and finance expectations in the next 12 months

		China			India			Indonesia			Thailand		
		Income	Purchase	Finances	Income	Purchase	Finances	Income	Purchase	Finances	Income	Purchase	Finances
	Total	27	5	29	40	16	46	52	–7	30	31	–3	17
Area	Urban	23	6	27	40	16	47	54	–5	31	31	–2	19
	Rural	32	6	35	38	17	45	49	–10	28	30	–8	11
Age	18-29	31	6	32	39	17	48	47	–4	33	34	–2	21
	30-45	29	5	34	37	16	47	53	–9	30	32	–4	20
	46-55	18	8	24	41	17	43	54	–9	26	28	–4	6
	56-65	20	7	20	46	12	40	47	–5	20	14	–6	5
Income	Low	12	8	18	–4	22	44	42	–10	25	20	–14	6
	Medium	20	7	22	41	14	44	54	–8	28	29	–3	17
	High	34	6	35	50	24	53	58	0	38	42	2	29

		Brazil			Mexico			Turkey			Russia		
		Income	Purchase	Finances	Income	Purchase	Finances	Income	Purchase	Finances	Income	Purchase	Finances
	Total	44	–19	58	31	–11	37	–8	–39	–9	1	–6	0
Area	Urban	44	–16	58	33	–10	37	–10	–40	–8	3	–3	–1
	Rural	41	–28	59	29	–13	37	–6	–40	–10	–3	–13	2
Age	18–29	47	–10	65	29	–9	38	–9	–39	–10	11	–2	12
	30–45	46	–21	60	39	–11	43	–7	–43	–7	2	–4	1
	46–55	39	–25	48	32	–18	30	–4	–38	–11	–6	–9	–7
	56–65	28	–28	45	19	–7	19	–15	–33	–10	–4	–16	–15
Income	Low	36	–27	51	33	–9	37	–13	–39	–13	–3	–19	–19
	Medium	45	–19	60	40	–5	44	11	–44	3	2	–8	0
	High	56	–16	59	39	–6	48	5	–36	5	4	2	3

Source: Credit Suisse Emerging Consumer Survey 2019

About the survey

This report has been produced using market research gathered by The Nielsen Company. This has given the Credit Suisse Research Institute the ability to conduct a consistent multi-region survey while also incorporating questions specific to the countries surveyed in the report.

Nielsen are a leader in data measurement and information across a wide range of industries and regions. Their expertise has complemented the analysis the Research Institute has conducted in this report. Nielsen's input has helped develop a more complete view of the competitive consumer landscape across emerging markets.

The original AC Nielsen was founded in 1923 by Arthur C. Nielsen, Sr., who invented an approach to measuring competitive sales results that established the concept of "market share" as a practical management tool. For nearly 90 years, they have advanced the practice of market research and audience measurement for the benefits of their clients in a constantly evolving marketplace.

Nielsen have a presence in approximately 100 countries, and hold positions within established and emerging markets. Their operating model is grounded in a simple, open and integrated approach that delivers a broad portfolio of services and solutions for their clients. The Credit Suisse Research Institute would like to thank The Nielsen Company for their invaluable assistance in this project.

Imprint

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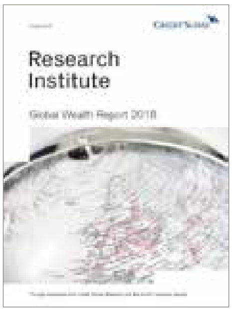

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